



**Deloitte Restructuring Inc.**  
1190, avenue des Canadiens-de-  
Montréal  
Suite 500  
Montreal QC H3B 0M7  
Canada

Tel: 514-393-7115  
Fax: 514-390-4103  
www.deloitte.ca

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
COURT. No.: 500-11-061483-224

S U P E R I O R C O U R T  
Commercial Division

**IN THE MATTER OF A PLAN OF  
ARRANGEMENT OR COMPROMISE OF:**

**FORMERXBC INC.** (formerly **XEBEC  
ADSORPTION INC.**)

**11941666 CANADA INC.** (formerly **XEBEC  
RNG HOLDINGS INC.**)

**1224933 ONTARIO INC.** (formerly  
**COMPRESSED AIR INTERNATIONAL INC.**)

**APPLIED COMPRESSION SYSTEMS LTD.**

**XEBEC HOLDING USA INC.**

**ENERPHASE INDUSTRIAL SOLUTIONS INC.**

**CDA SYSTEMS, LLC**

**XEBEC ADSORPTION USA INC.**

**THE TITUS COMPANY**

**NORTEKBELAIR CORPORATION**

**XBC FLOW SERVICES – WISCONSIN INC.**

**CALIFORNIA COMPRESSION, LLC**

- and -

**XEBEC SYSTEMS USA, LLC**

Debtors/Petitioners

- and -

**DELOITTE RESTRUCTURING INC.**

Monitor

**SEVENTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR  
(Companies' Creditors Arrangement Act)**

## **INTRODUCTION**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. Unless otherwise stated, the Debtors/Petitioners in the Application (as defined hereafter) are collectively referred to herein as the "**Petitioners**" or the "**Debtors**."
3. The Petitioners and the other material direct or indirect subsidiaries of FormerXBC Inc. ("**Xebec Inc.**" or "**BLA**"), which are not currently parties in the CCAA Proceedings (as defined hereafter), are collectively referred to herein as the "**Xebec Group**" or the "**Company**."
4. Capitalized terms not otherwise defined herein are as defined in the previous reports of the Monitor.
5. On September 28, 2022, the Petitioners filed an *Application for the Issuance of a First Day Initial Order, a Deemed Extension of the Stay Period and a Bidding Procedures Order* (the "**Initial Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**").
6. On September 29, 2022, Deloitte Restructuring Inc., then in its capacity as Proposed Monitor, issued its first report to the Court (the "**First Report**") as part of the Debtors' CCAA proceedings (the "**CCAA Proceedings**"). The purpose of the First Report was to provide information to the Court with respect of I) the business, financial affairs and financial results of Xebec Group; II) the Petitioners' main creditors; III) the proposed restructuring process; IV) the proposed sale and investment solicitation process; V) charges sought in the proposed "First Day Initial Order"; VI) payments to Critical Suppliers; VII) overview of the Cash Flow Projections as of the date of the First Report; VIII) Deloitte's qualification to act as Monitor; IX) Recognition Proceedings in the United States; and X) the Proposed Monitor's conclusions and recommendations.
7. On September 29, 2022, the Court granted the Initial Application and rendered the First Day Initial Order and the Bidding Procedures Order which provided for, *inter alia*, (i) a stay of proceedings against the Petitioners until and including October 9, 2022 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) the authorization to pay Critical Suppliers up to a maximum aggregate amount of \$700K; (v) an Administration Charge of \$250K, a D&O Charge of \$2.2M, a Transaction Charge of \$975K; and (vi) the approval of the SISP along with the bidding procedures for the conduct of same (the "**Bidding Procedures**").
8. On October 4, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for an Extension of the Stay of Proceedings*, seeking an extension of the First Day Initial Order until October 20, 2022.
9. On October 6, 2022, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the Petitioners' demand for the issuance of the Order Extending the Stay of Proceedings. The Monitor provided, *inter alia*, updated information in respect to the SISP, payments to Critical Suppliers, as well as to cash-flow projections.
10. On October 7, 2022, the Court extended the Stay Period and the application of the First Day Initial Order up to and including October 20, 2022.

11. On October 18, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for the Issuance of an Amended and Restated Initial Order* (the "**ARIO Application**"), seeking, *inter alia*, (i) the issuance of an Amended and Restated Initial Order (the "**ARIO**"); (ii) the extension of the Stay Period until November 28, 2022; (iii) an increase of the Administration Charge from \$250K to \$900K; (iv) an increase of the D&O Charge from \$2.2M to \$3.7M; (v) the approval of a DIP Facility for a total amount of \$3M and of a DIP Charge in the amount of \$3.6M; and (vi) the approval of KERPs and of a KERP Charge up to a maximum amount of \$1.08M.
12. On October 18, 2022, the Petitioners notified to the Service List the *Application for the Extension of the Stay of Proceedings to Certain Third Parties*, seeking *inter alia*, an order extending the stay of proceedings to any Person named as a defendant or respondent in the Class Actions (as these terms are defined in the aforementioned application). At this time, this has yet to be heard and no presentation date has been scheduled.
13. On October 19, 2022, the Monitor issued its Third Report. The purpose of the Third Report was to provide information to the Court on the activities of Xebec and of the Monitor since the commencement of the CCAA Proceedings and to support the ARIO Application.
14. On October 20, 2022, just prior to the scheduled hearing on the ARIO Application, the secured lenders NBC and EDC agreed to put forward a term sheet to provide for a DIP Facility in a total amount of \$3M, on a *pari passu* basis.
15. On October 20, 2022, the Court issued the ARIO, and authorized the DIP Facility from NBC and EDC. On October 24, 2022, the Court issued its reasons in support of the issuance of the ARIO, which also included its reasons in respect of dismissing specific requests and addressing allegations from certain class action petitioners and from Mr. Simon Arnsby, a shareholder of Xebec Inc. ("**Mr. Arnsby**").
16. On November 22, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for an Extension of the Stay of Proceedings and for Ancillary Relief*, seeking, *inter alia* (i) the extension of the Stay Period until February 3, 2023, and (ii) the approval of an amendment to the list of participants to the KERPs.
17. On November 24, 2022, the Monitor issued its Fourth Report. The purpose of the Fourth Report was to provide information to the Court on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the aforementioned Application.
18. On November 28, 2022, the Court issued the *Order Extending the Stay of Proceedings and Granting Ancillary Relief* (the "**Extension Order**"). This Extension Order was namely meant to allow for the substantial completion phase 2 of the SISP, and to allow the Petitioners, *inter alia*, to (i) select the Successful Bid(s), (ii) negotiate Definitive Documentation, and (iii) file the Approval Application in respect of the Successful Bid(s), as these terms are defined under the Bidding Procedures Order.
19. On November 29, 2022, the Court issued its reasons in support of the issuance of the extension, as well as its reasons in respect of dismissing Mr. Arnsby's *Urgent Ex Parte Application for Investigation*.

20. On January 28, 2023, the Petitioners notified to the Service List an *Application for the Issuance of a Second Amended and Restated Initial Order and an Approval and Vesting Order* (as amended by the *Amended Application for the Issuance of a Second Amended and Restated Initial Order and an Approval and Vesting Order* dated February 1, 2023, the "**Application for Second ARIO**"), seeking, *inter alia* (i) the extension of the Stay Period until February 13, 2023, (ii) the increase of the Administration Charge to a maximum amount of \$3M, and (iii) the issuance of an approval and vesting order (the "**ACS Approval and Vesting Order**"), in respect of the proposed sale of substantially all of the assets of Applied Compression Systems Ltd. ("**ACS**").
21. On February 1, 2023, the Monitor issued its Fifth Report. The purpose of the Fifth Report was to report on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the Petitioners' Application for Second ARIO.
22. The Monitor also provided in the Fifth Report, *inter alia*, updated information in respect to (i) the SISP and certain transactions in connection thereto (Holding UK and ACS), (ii) operations of Petitioners and non-Petitioners and the impact of the results of phase 2 of the SISP on same, (iii) the need for a supplemental interim financing facility and ongoing discussions with EDC in connection thereto, (iv) subsequent exchanges with various stakeholders, and (v) actual cash flows and cash-flow projections until March 18, 2023.
23. On February 3, 2023, the Court granted the Application for Second ARIO and issued the ACS Approval and Vesting Order and the *Second Amended and Restated Initial Order* (the "**Second ARIO**").
24. On February 8, 2023, the Petitioners served the *Application for the Issuance of a Third Amended and Restated Initial Order and Approval and Vesting Orders* (hereinafter, the "**Application for Third ARIO**") seeking *inter alia*:
  - a) the approval of the Second DIP Facility provided by EDC in the amount of \$2.5M (the "**Second DIP Facility**") and the granting of a "**Second DIP Charge**" in the amount of \$3.0M;
  - b) the issuance of three approval and vesting orders (the "**Sullair AVO**", the "**Ivys AVO**" and the "**FSTQ AVO**", (collectively defined herein, with the ACS AVO, as the "**AVOs**") regarding, respectively:
    - i. the proposed sale of substantially all of the assets of CDA Systems, LLC ("**CDA**") and California Compression, LLC ("**CAL**") to Sullair (the "**Sullair Transaction**");
    - ii. the proposed sale of substantially all of the assets of Xebec Inc. and Compressed Air International Inc. ("**CAI**") to Ivys Inc. and Ivys Adsorption, Inc., as purchasers (collectively, "**Ivys**"), (the "**Ivys Transaction**"); and
    - iii. the sale of Xebec Inc.'s limited partnership interests in the capital of GNR Québec Capital L.P. ("**GNR LP**") and the shares of RNG Holdings in the capital of GNR Québec Capital Management Inc. ("**GNR GP**") (collectively, "**GNR**") (the "**FSTQ Transaction**"); and
  - c) the extension of the Stay Period up and until March 17, 2023.
25. On February 10, 2023, the Monitor issued its Sixth Report. The purpose of the Sixth Report was to report on the activities of Xebec and of the Monitor since the Fifth Report and to support the Petitioners' request for the issuance of the Third ARIO, including (i) an extension of the Stay Period until March 17, 2023, (ii) the approval of a Second DIP Facility from EDC

in an amount of \$2.5M, (iii) the granting of a Second DIP Charge of \$3M, the (iv) reduction of the Administration Charge to \$2.25M following the disbursement of the first tranche of the Second DIP), and (v) the issuance of the Sullair AVO, Ivys AVO and FSTQ AVO.

26. The Monitor provided in the Sixth Report, *inter alia*, updated information in respect to, *inter alia*, (i) the SISP, certain completed transactions in connection thereto (Holding UK, ACS and Hygear) and certain transactions to be approved and closed (CDA, CAL, BLA, CAI and GNR), an update in respect of (ii) the supplemental DIP facility and ongoing discussions with EDC, as well as (iii) information in respect to the 8-week cash-flow projections contained in the Fifth Report.
27. On February 13, 2023, the Court granted the Application for the Third ARIO and issued the Sullair AVO, FSTQ AVO and the *Third Amended and Restated Initial Order* (the "**Third ARIO**").
28. On February 17, 2023, the Court issued the Ivys AVO, as well as its reasons for issuing the Third ARIO, which included reasons in respect of dismissing submissions of opponents to the Ivys Transaction, namely Shanghai Shenergy Energy Innovation & Development Co. Ltd ("**Shenergy**") and Shanghai Lihuan Investment Corp. ("**Lihuan**").
29. In the night from March 11 to March 12, 2023, the Petitioners notified the *Application for the Issuance of a Fourth Amended and Restated Initial Order, Approval and Vesting Orders, a Wage Earner Protection Program Act Order and Ancillary Relief*, seeking *inter alia*:
  - a) the issuance of two approval and vesting orders (the "**TIT AVO**" and the "**XBC AVO**") in relation to, respectively:
    - i. the proposed sale of substantially all of the assets of The Titus Company ("**TIT**") to FAD Pennsylvania Inc. (the "**Fluid-Aire Transaction**"); and
    - ii. the proposed sale of substantially all of the assets of XBC Flow Services – Wisconsin Inc. ("**XBC**") to Total Energy Systems, LLC (the "**Total Energy Transaction**").
  - b) the termination of the First DIP Charge, the Second DIP Charge and of the Transaction Charge, further to the mechanism set forth in the Monitor's Application for Payments (as defined hereunder) and in accordance with the order sought in relation thereto;
  - c) the approval of an amendment to the list of participants to the KERPS and of an increased KERP amount;
  - d) the issuance of an order declaring that pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 ("**WEPPA**") that FormerXBC Inc. (formerly BLA), ACS and CAI meet the criteria established by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the "**WEPP Regulations**") (the "**WEPP Relief**");
  - e) the increase of the aggregate amount for transactions subject to the Monitor's approval (currently provided for under para. 60c) of the Third ARIO); and
  - f) the extension of the Stay Period up and until May 5, 2023.
30. In the night from March 11 to March 12, 2023, the Monitor served the *Application for Authorization to Make Payments in Connection with the CCAA and Related Relief* (hereinafter, the "**Application for Payments**") seeking, *inter alia*, an order:

- a) authorizing the Monitor to pay, from the Net Proceeds of Transactions (as defined in the Application for Payments), amounts to the beneficiaries of CCAA Charges, including in respect to the DIP Charge, the Second DIP Charge, the Transaction Charge and the KERP Charge; and
  - b) providing a mechanism for the discharge and/or reduction of the above-mentioned CCAA Charges, pursuant to the issuance of certificates of the Monitor and without further order of the Court, as detailed in the draft order filed in support of the Application for Payments as Exhibit M-1.
31. In the night from March 14 to March 15, 2023, the Petitioners notified the *Amended Application for the Issuance of a Fourth Amended and Restated Initial Order, Approval and Vesting Orders, a Wage Earner Protection Program Act Order and Ancillary Relief* (as amended, the "**Application**"), following the execution of an Asset Purchase Agreement (the "**UEC APA**") entered into between Xebec Systems USA LLC ("**UEC**"), as seller, and EnergyLink US Inc., as purchaser. In light of same, the Application was amended in order to also seek:
- a) the issuance of an approval and vesting order (the "**UEC AVO**") in relation to the proposed sale of substantially all the assets of UEC.
32. Following the notification of the Application, the Monitor hereby issues its seventh report (the "**Seventh Report**"), which will cover the following items:
- I. General update on the SISP and potential sales for the Xebec Group's Remaining Assets
  - II. Transactions completed or to be completed
  - III. Update regarding Xebec Group's communications and operations since the Sixth Report
  - IV. The Monitor's activities since the Sixth Report
  - V. Update on Recognition Proceedings in the United States
  - VI. Monitor's Application for Payments and Modifications to the Charges Sought in the Fourth ARIO
  - VII. WEPP Relief Sought in the Application
  - VIII. London RNG Application
  - IX. Update on Secured Lender's security and the Intercompany Transactions Report to be Issued by the Monitor as Part of the Allocation Process to be Completed
  - X. Payments to Critical Suppliers
  - XI. Intercompany Payments
  - XII. Actual Receipts and Disbursements
  - XIII. Overview of the Cash-Flow Projections
  - XIV. Extension of the Stay Period
  - XV. Monitor's Conclusions and Recommendations

33. In preparing the Seventh Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, the Petitioners' books and records and financial information prepared by the same and discussions with management ("**Management**") of the Petitioners (collectively, the "**Information**"). Except as described in this Seventh Report in respect of the Debtors' Cash Flow Statement (as defined below):
- (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
  - (ii) Some of the information referred to in this Seventh Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
34. Future oriented financial information referred to in this Seventh Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
35. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Seventh Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
36. The Information that was analyzed does not include the extent of the impact of Coronavirus ("**COVID-19**") on the Petitioners' operations. At the time of the Seventh Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and may continue to have on the Petitioners and the broader domestic and global economies.
37. The Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and may continue to have on the Petitioners.

**I. GENERAL UPDATE ON THE SISP AND POTENTIAL SALES FOR THE XEBEC GROUP'S REMAINING ASSETS**

38. At the time of issuance of the Sixth Report, several Applicants remained potentially "orphaned", as they did not receive offers that were deemed satisfactory as part of the SISP, such that the going concern of these businesses could be compromised. As previously indicated in the Sixth Report, these remaining entities were then comprised of (i) Enerphase Industrial Solutions, Inc. ("**AIR**"), (ii) Nortekbelair Corporation ("**NOR**"), (iii) TIT, (iv) XBC, (v) Xebec Systems USA, LLC ("**UEC**"), (vi) Xebec Adsorption USA Inc. ("**XSU**"), and (vii) Inmatec Gase Technologie GmbH & Co. KG ("**Inmatec**") (collectively, the "**Xebec Group's Remaining Assets**").

39. As explained in the Sixth Report, and at such time, the Company and NBF were actively seeking opportunities in respect of potential going concern transactions regarding these remaining entities. Letters of intention had been received for some of the Xebec Group's Remaining Assets and review, discussions and other communications were ongoing with potentially interested parties.
40. Since the Sixth Report, the SISP Manager has continued to regularly update the Petitioners and the Monitor and, at least on a weekly basis and often more frequently, the SISP Manager has conducted meetings with the Monitor, the Petitioners and their respective legal advisors in order to provide an update on the latest developments and discussions with potential acquirers for the Xebec Group's Remaining Assets.
41. Given that the exhaustive SISP had already been conducted and that the Petitioners' financial situation could not allow a potential new lengthy SISP process, and in view of attempting to generate offers in lieu of simply liquidating the Xebec Group's Remaining Assets, it was decided, after the expiry of the SISP, following the conclusion of the SISP, to solicit final unconditional offers for all or part of the remaining assets and/or shares of the Xebec Group's Remaining Assets (the "**Remaining Assets Solicitation Process**").
42. The financial advisors to NBC and EDC were informed of such steps and indicated that they were supportive of the Remaining Assets Solicitation Process.
43. On February 17, 2023, the SISP Manager communicated a letter providing instructions to interested parties in order to submit one or more offers (the "**Binding Offer(s)**") as part of the Remaining Assets Solicitation Process (the "**Binding Offer Instruction Letter**"), appended hereto as **Appendix A**.
44. The Binding Offer Instruction Letter informed the potential interested parties that the deadline to submit a Binding Offer to the SISP Manager and the Monitor expired on February 23, 2023, at 5 p.m. (Montreal time).
45. The SISP Manager provided the Binding Offer Instruction Letter to approximately several targeted potential bidders, as well as to parties which had initially submitted a letter of intent in the context of Phase I of the SISP.
46. Considering the short timeline to submit a Binding Offer, two parties subsequently contacted the SISP Manager and the Monitor to request a short extension to submit a Binding Offer. The Company and the SISP Manager, with the support of the Monitor, agreed to extend the deadline by two (2) business days until Monday February 27, 2023, at 5 p.m. (Montreal time) (the "**Remaining Assets Bid Deadline**"). The SISP Manager communicated the deadline extension to all targeted potential bidders on February 23, 2023, and informed them that if a Binding Offer had already been submitted, interested parties could revise and re-submit their Binding Offer before the Remaining Assets Bid Deadline.
47. From the targeted potential bidders that received a Binding Offer Instruction Letter, 10 bidders ultimately submitted an offer purported to be a Binding Offer for one or more of the Xebec Group's Remaining Assets to the SISP Manager, with the Monitor in copy, within the Remaining Assets Bid Deadline.
48. Following the reception of the Binding Offers on February 27, 2023, and in accordance with the Binding Offer Instruction Letter, the SISP Manager entered into communications with the bidders to clarify their offers.



49. The Monitor was copied on all offers received as part of the Remaining Assets Solicitation Process. NBF has also prepared an overview of the Binding Offers and provided same to the Company and to the Monitor (the "**Bid Overview**"), five (5) of which were determined by the Petitioners, in consultation with the Monitor and the SISP Manager, to constitute successful bids. In writing the week ending March 4, 2023, NBF advised each bidder whether its bid constituted a successful bid, or not, following which negotiations of agreements ensued immediately with the parties identified as successful bidders.
50. The Bid Overview was shared with the financial advisors to EDC and NBC and a call was organized between NBF, the Monitor, the Company and the financial advisor to EDC to review the Binding Offers received. More details regarding the Binding Offers received as part of the Remaining Assets Solicitation Process are included at **Appendix B (under seal)**.
51. **Appendix C** to this Seventh Report contains a SISP summary prepared by the Monitor showing the Xebec Group entities (both Petitioners and non-Petitioners) for which transactions have been completed or are expected to be completed and the Xebec Group entities for which there currently is no acceptable binding offer.
52. As of the date of the Seventh Report, pursuant to results of the Remaining Assets Solicitation Process, a going concern transaction has been executed in respect of each of TIT, XBC and UEC, which remains subject to Court Approval, and agreements have been entered into in respect of NOR and AIR (which do not necessitate Court approval).
53. With respect to the transactions in respect of TIT, XBC and UEC, the Company, the SISP Manager, the Monitor and their respective advisors have been working relentlessly to sign up each transaction with a view to proceeding to closing as soon as possible, following approval by the CCAA Court, with US Court approval to follow, as the Monitor has been informed that a 21-day notice must be provided in respect of a Motion for a Recognition Order of the CCAA Court's AVOs and that a Court date has been reserved on April 5, 2023, in order to proceed with the hearing in connection thereto.
54. Based and relying upon information provided by the SISP Manager, the Monitor is of the view that the SISP and the Remaining Assets Solicitation Process continue to be diligently conducted, with a view of maximizing the value of the assets of the Xebec Group.

## **II. TRANSACTIONS COMPLETED OR TO BE COMPLETED**

55. As indicated, **Appendix D** to this Seventh Report provides a summary in relation to the Xebec Group entities (both Petitioners and non-Petitioners) for which transactions have been completed or are expected to be completed in the near term, subject to ongoing negotiations and to Court approval, as the case may be.

### **A. COMPLETED TRANSACTIONS AT THE TIME OF THE SEVENTH REPORT: HOLDING UK/TIGER, ACS, HYGEAR, FSTQ, SULLAIR AND IVYS**

56. As detailed previously in the Fifth Report and the Sixth Report, the Tiger Transaction, the ACS Transaction and the HyGear Transaction have now closed.
57. Since the issuance of the Sixth Report, three more transactions have closed, namely the FSTQ Transaction, the Sullair Transaction and the Ivys Transaction.

#### The FSTQ Transaction (GNR)

58. On February 13, 2023, the Court issued the GNR AVO. The transaction closed shortly thereafter on February 15, 2023, and the Monitor issued and notified its certificate to the service list on the same date.

59. On February 22, 2023, the Company issued a press release announcing the closing of the FSTQ Transaction.

The Sullair Transaction (CDA and CAL)

60. On February 13, 2023, the Court issued the Sullair AVO providing for the sale of substantially all assets of CDA and CAL. This transaction closed shortly thereafter on February 21, 2023, and the Monitor issued and notified its certificate to the service list on the same date.

61. As notably detailed in the Sixth Report, the Sullair Transaction provides for, *inter alia*, the sale of substantially all assets of CDA and CAL and the continuation of these two businesses by the purchaser, including the employment of twenty-four (24) individuals (10 in CDA and 14 in CAL).

62. The Sullair Transaction has been executed on an “as is, where is” basis without any legal warranties following closing and at the risk and peril of the purchaser. The Sullair Transaction excludes namely the cash of CDA and CAL and any intercompany receivables owing to CDA and CAL from any affiliates of these entities, including from other Petitioners.

63. The remaining cash in the accounts of CDA and CAL has been used to make the last payments pertaining to the payroll (including deductions at source) until the closing date, and the balance is expected to be transferred to BLA as an Intercompany Transaction pursuant to the Third ARIIO, as duly reported to NBC and EDC, and will form part of the Intercompany Transactions Report to be issued by the Monitor in due time.

64. On February 22, 2023, the Company issued a press release announcing the closing of the Sullair Transaction.

The Ivys Transaction (BLA and CAI)

65. On February 12, 2023, a notice of objection in regard to certain relief sought pursuant to the issuance of the Ivys AVO was received from legal counsel of Liuhuan and Shenergy (“**Shenergy**”), which objected to the assignment from BLA to Ivys Inc. of the rights and obligations under certain assigned contracts.

66. On February 13, 2023, the hearing on the issuance of the Ivys AVO was postponed due to the above contestation.

67. On February 17, 2023, the Court dismissed the contestation of opponents Liuhuan and Shenergy and issued the Ivys AVO.

68. The sale of substantially all assets of BLA and CAI closed shortly thereafter on February 24, 2023, and the Monitor issued and notified its certificate to the service list on February 27, 2023, which confirmed that the Ivys Transaction had closed on the effective date of February 24, 2023.

69. As notably detailed in the Sixth Report, the Ivys Transaction provides for, *inter alia*, the sale of substantially all assets of BLA and CAI and the continuation of these two businesses by the purchaser, including the employment of namely 117 individuals (104 at BLA and 13 at CAI).

70. The Ivys Transaction was entered into on an “as is, where is” basis without any legal warranties following closing and at the risk and peril of the purchasers. The Ivys Transaction excludes namely the cash of BLA and CAI and any intercompany receivables owing to BLA and CAI from any affiliates, including from other Petitioners.

71. The cash of CAI has been used to make the last payments pertaining to the payroll (including deductions at source) until the closing date, and the balance is expected to be transferred to

BLA as an Intercompany Transaction pursuant to the Third ARIO, as duly reported to NBC and EDC, and will form part of the Intercompany Transactions Report to be issued by the Monitor in due time.

72. On February 22, 2023, the Company issued a press release announcing the closing of the Ivys Transaction.
73. In addition, and as further detailed in the Sixth Report, the Ivys Transaction contemplates a post-closing assignment of contracts mechanism, by which, *inter alia*:
- a) Ivys is afforded a 30-day period following closing to identify Post-Closing Assigned/Assumed Contracts (as defined in the Ivys AVO);
  - b) The Monitor is afforded 5 days therefrom to review the proposed assignment, following which he may issue notices of assignment to affected parties or reject the assignment;
  - c) Affected parties are afforded a 15-day delay to oppose the potential assignment, following which, in the absence of contestation, a post-closing assignment certificate will be issued by the Monitor;
  - d) Alternatively, the Monitor or Ivys are entitled to apply to the Court to obtain approval of a potential contested assignment; and
  - e) The Cure Costs associated with the Post-Closing Assigned/Assumed Contracts (as both terms are defined in the Ivys AVO) shall be assumed by Ivys.
74. As of the date of the Seventh Report, Ivys has provided a list to the Monitor of Post-Closing Assigned/Assumed Contracts, which was reviewed and accepted by the Monitor, further to the list provided as **Appendix E** hereto. Notices were sent to concerned parties on March 9, 2023, and no opposition or contestation has been received at the present time.

**B. TRANSACTIONS SUBMITTED FOR APPROVAL BY THE COURT AS PART OF THE APPLICATION**

75. As previously mentioned, offers for the following entities were received as part of the Remaining Assets Solicitation Process and since the Sixth Report:
- a) TIT: offer received from FAD Pennsylvania Inc. ("**Fluid-Aire**");
  - b) XBC: offer received from Total Energy Systems, LLC ("**Total Energy**");
  - c) UEC: offer received from EnergyLink Corporation ("**EnergyLink**").
  - d) AIR: offer received from Curtis-Toledo, Inc. ("**Curtis**"); and
  - e) NOR: offer received from Next Air & Gas, LLC ("**Next Air**");
76. As indicated also below, both the AIR and NOR transactions do not necessitate Court approval and have closed or are in the process of closing. The Petitioner seek Court approval of three transactions, namely in respect to the assets of TIT and XBC.

The Fluid-Aire Transaction (TIT)

77. Petitioner TIT is wholly owned subsidiary of Xebec Holding USA Inc. which in turn is a wholly owned subsidiary of Xebec Adsorption Inc., both of which are also Petitioners. It currently employs approximately 20 individuals.
78. As at the Phase 2 Bid Deadline of the SISP, no offer was received for the acquisition of substantially all the assets of TIT. However, as at the Remaining Assets Bid Deadline, one or more offers were made for the acquisition of substantially all of the assets of TIT.

79. Following this date, NBF and the Company engaged with the bidder(s) and negotiated with Fluid-Aire. After review of available alternatives, the offer from Fluid-Aire was determined by the Petitioners, in consultation with the Monitor and NBF, as the most advantageous to the stakeholders of TIT and of the Company, as it allows, *inter alia*, to complete a going concern transaction and to provide a realization value which would otherwise be uncertain and lesser in a liquidation scenario, while limiting any further costs related thereto.
80. The Fluid-Aire Transaction contemplates the sale of substantially all the assets of TIT (the "**Fluid-Aire Purchased Assets**") for an amount of USD \$1,353M (subject to adjustment based on the final book value of Purchased Assets at time of closing, as set forth in the Fluid-Aire APA), plus Accrued Liabilities of up to USD \$150K and the continuation of its business by the purchaser as a going concern, including the likely continued employment of most of the current employees of TIT. The Fluid-Aire Transaction also provides a realization value which would otherwise be uncertain and potentially lesser in a liquidation scenario, while limiting any further costs related thereto.
81. On March 11, 2023, TIT and Fluid-Aire executed an *Asset Purchase Agreement* (the "**Fluid-Aire APA**"), which is filed in support of the Application.
82. As indicated in the Application, the Fluid-Aire APA includes the following terms:
- a) that the Fluid-Aire Purchased Assets and the Assumed Liabilities are being sold and assumed on an "as is where is basis";
  - b) that the Purchased Assets, *inter alia*, exclude cash and cash equivalents, as well as Intercompany Accounts Receivables;
  - c) that the TIT AVO be issued by the Court and that a motion to obtain the Fluid-Aire U.S. Recognition Order be filed no later than three (3) business days thereafter;
  - d) that certain contracts to which TIT is party be assigned as part of the TIT AVO; and
  - e) that the Deposit and cash portion of the Purchase Price will be paid to the Monitor and held until a final and non-appealable US recognition Order is obtained.
83. Should the Court issue the Fluid-Aire AVO on March 16, 2023, the Monitor is informed that the Petitioners' and Fluid-Aire's intent is to close the Fluid-Aire Transaction as soon as reasonably possible thereafter, with the obtaining of a US Recognition Order as part of the Chapter 15 Proceedings being a post-closing condition and that the net proceeds paid at closing by Fluid-Aire must be held in trust by the Monitor's counsel until said US Recognition Order is final and non-appealable.

The Total Energy Transaction (XBC)

84. XBC is a wholly owned subsidiary of Xebec Holding USA Inc. which in turn is a wholly owned subsidiary of FormerXBC Inc., both of which are also Petitioners.
85. As at the Phase 2 Bid Deadline of the SISP, no offer was received for the acquisition of substantially all the assets of XBC. However, as at the Remaining Assets Bid Deadline, one or more offers were made for the acquisition of substantially all the assets of XBC.

86. After careful consideration of all available alternatives, the Company determined, in consultation with the Monitor and NBF, that the offer from Total Energy was the most advantageous to the stakeholders of XBC and of the Xebec Group generally, as it allows, *inter alia*, to complete a going concern transaction and to provide a realization value which would otherwise be uncertain and lesser in a liquidation scenario, while limiting any further costs related thereto.
87. On March 11, 2023, XBC as sellers and Total Energy as purchaser executed an *Asset Purchase Agreement* (the "**Total Energy APA**"), which is filed as part of the Application, in respect to the sale of substantially all of the assets of XBC (the "**Total Energy Purchased Assets**").
88. As indicated in the Application, the Total Energy APA includes the following terms:
- a) that the Total Energy Purchased Assets and the Assumed Liabilities are being sold and assumed on an "as is where is basis";
  - b) that the Purchased Assets, *inter alia*, exclude cash and cash equivalents, as well as Intercompany Accounts Receivables;
  - c) that the XBC AVO be issued by the Court and that a motion to obtain the U.S. Sale Order (as defined in the Application) be filed no later than one (1) business days thereafter;
  - d) that certain contracts and open purchase orders to which XBC is party be assigned as part of the XBC AVO and the U.S. Sale Order; and
  - e) that the Total Energy Purchase Price represents the total of USD \$121,000, plus the sum of 80% of the Accounts Receivable at the Closing Date, the sum of 80% of the Inventory as of the Closing Date and the amount of the Assumed Liabilities, and will be paid in full by Total Energy to the Monitor at closing.
89. Should the Court issue the Total Energy AVO on March 16, 2023, the Monitor is informed that the Petitioners' and Total Energy's intent is to close the Total Energy Transaction as soon as reasonably possible thereafter, with the US Recognition Order as part of the Chapter 15 Proceedings being a post closing condition and that the net proceeds paid at closing by Total Energy must be held in trust by the Monitor's counsel until said US Recognition Order is final and non-appealable.

#### The EnergyLink Transaction (UEC)

90. UEC is a wholly owned subsidiary of Xebec Holding USA Inc. which in turn is a wholly owned subsidiary of FormerXBC Inc., both of which are also Petitioners.
91. As at the Phase 2 Bid Deadline of the SISP, no satisfactory offer was received for the acquisition of substantially all the assets of XBC. However, as at the Remaining Assets Bid Deadline, one or more offers were made for the acquisition of substantially all the assets of XBC.
92. After careful consideration of all available alternatives and the possibility afforded to bidders to improve their offers, the Company determined, in consultation with the Monitor and NBF, that the revised offer from EnergyLink was the most advantageous to the stakeholders of UEC and of the Xebec Group generally, as it allows, *inter alia*, to complete a going concern transaction and to provide a realization value which would otherwise be uncertain and lesser in a liquidation scenario, while limiting any further costs related thereto.
93. In the night from March 14, 2023, to March 15, 2023, the UEC APA was executed, and was filed as part of the Application, in respect to the sale of substantially all of the assets of UEC (the "**EnergyLink Purchased Assets**"). The timing of the execution was key in order to allow for the hearing to proceed on April 5, 2023, to obtain the US Recognition Order, along with the order for the Fluid-Aire Transaction and the Total Energy Transaction.

94. As indicated in the Application, the EnergyLink APA includes the following terms:

- a) that the EnergyLink Purchased Assets and the Assumed Liabilities are being sold and assumed on an "as is where is basis";
- b) that the Purchased Assets, *inter alia*, exclude cash and cash equivalents, as well as Intercompany Accounts Receivables;
- c) that the UEC AVO be issued by the Court and that the EnergyLink U.S. Recognition Order be issued (as defined in the Application);
- d) that certain contracts and open purchase orders to which UEC is party be assigned as part of the UEC AVO and the EnergyLink U.S. Recognition Order;
- e) that the purchaser intends to retain 80% of the employees; and
- f) that the Purchase Price, namely USD \$3M and the amount of the Accrued Liabilities (as defined in the UEC APA) will be paid in full by EnergyLink to the Monitor at closing.

95. Should the Court issue the UEC AVO on March 16, 2023, the Monitor is informed that UEC and EnergyLink's intent is to close the EnergyLink Transaction as soon as reasonably possible thereafter, with the EnergyLink U.S. Recognition Order as part of the Chapter 15 Proceedings being a post closing condition and that the net proceeds paid at closing by EnergyLink must be held in trust by the Monitor's counsel until said EnergyLink U.S. Recognition Order is final and non-appealable.

### **C. TRANSACTIONS NOT SUBJECT TO COURT APPROVAL**

96. Pursuant to para. 60c) of the Third ARIO provides authorization to convey, transfer, assign, lease, or in any manner dispose of the Petitioners' property, outside of the ordinary course of business, in whole or in part, provided that the price in each case does not exceed \$750,000 or \$1,500,000 in the aggregate.

97. Apart from NOR and AIR, other transactions are currently also in discussions and negotiations regarding certain assets of the Petitioners that are excluded from transactions completed or to be completed.

#### The Next Air Transaction (NOR)

98. NOR is wholly owned subsidiary of Xebec Holding USA Inc. which in turn is a wholly owned subsidiary of Xebec Adsorption Inc., both of which are also Petitioners.

99. NOR operates a 18,500 square foot facility in Maryville, Tennessee, and supports its Cleantech Service Network as well as other third-party customers with dehydration products comprised of compressed air dryers, renewable and low-emission natural gas dryers and hydrogen dryers.

100. As at the Phase 2 Bid Deadline of the SISP, no offer was received for the acquisition of substantially all the assets of NOR. However, as at the Remaining Assets Bid Deadline, one or more offers were made for the acquisition of certain assets of NOR.

101. After careful consideration of all available alternatives and the possibility afforded to bidders to improve their offers, the Company determined, in consultation with the Monitor and NBF, that the revised offer from Next Air was the most advantageous to the stakeholders of NOR and of the Xebec Group generally, as it provides, *inter alia*, to complete a going concern transaction and to provide a realization value which would otherwise be uncertain and lesser in a liquidation scenario, while limiting any further costs related thereto.

102. On March 13, 2023, NOR, as seller, Next Air and Mahmoud A. Zarif, as purchasers, executed an *Asset Purchase Agreement* (the "**Next Air APA**"), which is filed under seal as part of the Application.
103. The Next Air APA provides, *inter alia*: (i) that the Next Air Purchased Assets exclude the cash of NOR and any intercompany receivables owing from any affiliates, including from other Petitioners, (ii) for the payment of a cash purchase price of USD \$153,000 by Next Air to the Monitor at closing and the assumption by Next Air of certain Assumed Liabilities, and (iii) for other conditions and representations, as further detailed in the Next Air APA.
104. The closing of Next Air Transaction occurred on March 14, 2023.
105. The Next Air Purchased Assets will be disposed of outside of the ordinary course of business, in accordance with paragraph 60 c) of the Third ARIO. The purchase price of USD \$153K does not exceed the threshold of \$750K or \$1.5M in the aggregate. Considering the factors above, the Monitor supports and approves the Next Air Transaction.

The Curtis Transaction (AIR)

106. AIR is wholly owned subsidiary of Xebec Holding USA Inc. which in turn is a wholly owned subsidiary of Xebec Adsorption Inc., both of which are also Petitioners.
107. AIR is part of the Cleantech Service Network, with a focus on preventative maintenance solutions, air energy system audits and analysis, timely machine rentals and parts and service. It also sells compressed air products. It leases and operates facilities in Greensboro, Woodleaf and Rocky Mount, North Carolina.
108. As at the Phase 2 Bid Deadline of the SISP, no offer was received for the acquisition of substantially all the assets of AIR. In addition, pursuant to the conclusion of the SISP, due to the uncertainty, a significant number of AIR employees resigned and were hired by Curtis. As at the Remaining Assets Bid Deadline, Curtis made an offer for the acquisition of certain of the assets of AIR (the "**Curtis Purchased Assets**").
109. Also, after the Phase 2 Bid Deadline, more than 20 employees of AIR (out of 26) resigned "en bloc", leaving this entity without any capacity to operate.
110. After careful consideration of all available alternatives and the possibility afforded to bidders to improve their offers, the Company determined, in consultation with the Monitor and NBF, that the revised offer from Curtis was the most advantageous to the stakeholders of AIR and of the Xebec Group generally, as it allows, *inter alia* to provide a realization value which would otherwise be uncertain and potentially lesser, while limiting any further costs related thereto. This transaction is not a going concern transaction.
111. On March 13, 2023, AIR, as seller, and Curtis, as purchaser, agreed on the terms of five (5) Purchase Orders (the "**Curtis POs**"). Payment of the Curtis POs is expected to be received in the coming days.
112. The Curtis POs provided for the purchase of (i) the warehouse equipment, (ii) the office furniture and equipment, and (iii) the stock inventory for an aggregate amount of USD \$650K. Upon execution of the Curtis Transaction, the assets remaining in AIR would mainly be comprised of accounts receivable.
113. The Curtis assets are being disposed of outside of the ordinary course of business, in accordance with paragraph 60c) of the Third ARIO. The purchase price does not exceed the threshold of \$750K or \$1.5M in the aggregate. Considering the factors above, the Monitor supports and approves the Curtis Transaction.

**D. GENERAL OBSERVATIONS IN RESPECT TO TRANSACTIONS AS PART OF THE REMAINING ASSETS SOLICITATION PROCESS**

114. The Monitor is of the view that the SISP and the Remaining Assets Solicitation Process were conducted by the Company and its advisors in a fair and reasonable manner and in accordance with the Third ARIO, the Bidding Procedures Order and the terms of the Binding Offer Instruction Letter in respect of the Remaining Assets Solicitation Process, the whole in the best interests of the stakeholders of the Company.
115. The approval of the Fluid-Aire Transaction, the Total Energy Transaction and the UEC Transaction and their expedited closing would benefit all stakeholders, including the employees and the creditors of the Petitioners.
116. The disposal outside of the ordinary course of business and in accordance with paragraph 60 c) of the Third ARIO, of the assets of AIR and NOR under the Curtis Transaction and the NOR Transaction and their expedited closing are to the benefit all stakeholders, including the employees and the creditors of the Petitioners, and provide value which is superior to value which could have reasonably been obtained in a liquidation scenario.
117. The Monitor supports the above-mentioned transactions and has been informed that EDC and NBC are also supportive of same.

**III. UPDATE REGARDING XEBEC GROUP'S COMMUNICATIONS AND OPERATIONS SINCE THE SIXTH REPORT**

**A. Operations of the Xebec Group entities since the Sixth Report**

118. Since the Sixth Report, and in line with the plan relating to the Restructuring Process since the initiation of the CCAA proceedings, the Company and the SISP Manager, in consultation with the Monitor, focused on the completion of the SISP and the Remaining Assets Solicitation Process, the outcome of which heavily influence all aspects of the Xebec Group's operations.
119. As previously mentioned, as at the date of the Seventh Report, six (6) transactions have now closed: the Tiger Transaction, the ACS Transaction, the HyGear Transaction, the FSTQ Transaction, the Sullair Transaction and the Ivys Transaction (collectively, the "**Completed Transactions**").
120. The Completed Transactions relate to 6 Petitioner entities (ACS, GNR, CDA, CAL, BLA and CAI) and 3 non-Petitioner entities (Tiger, HyGear and Xebec Shanghai). Pursuant to these Completed Transactions, the operations of 9 entities were transferred and continued on a going concern by the purchasers of substantially all the assets of these entities.
121. Since the Ivys Transaction closing date, BLA is *de facto* a cost centre and does not have operations other than covering corporate costs for all Petitioners. Considering the Completed Transactions, BLA currently remains with 8 employees.
122. Also as indicated previously in the Fifth Report, and considering that in light of the results of the SISP it became apparent that certain of the Petitioners might be "orphaned" as they were not targeted, at that time, by the transactions expected to be implemented as part of the SISP, the Xebec Group's Remaining Assets, and in particular in respect to AIR, TIT, NOR, XBC, XSU and UEC, have been operating based on the following premise:
  - a) To maintain, at least temporarily, the operations of AIR, TIT, NOR, XBC, and XSU with a view of asserting potential opportunities related thereto;



- b) To reduce and/or minimize operations at UEC. Management had identified a list of employees required to maintain a reduced level of operations temporarily (while continuing efforts to secure a going concern transaction), including minimal sales of inventory near completion, and thereafter proceeded with temporary lay-offs of 31 individuals, which have, since the Fifth Report, resumed their employment in light of ongoing negotiations to complete a transaction in respect to UEC; and
  - c) To no longer accept further deposits and/or advances in relation to certain ongoing or future projects of UEC.
123. Since then, transactions in respect to TIT, XBC, UEC have been executed, pending closing and/or Court approval, as applicable, and operations in these entities will be maintained at a minimal level until closing.
124. The NOR Transaction has since closed.
125. As mentioned previously hereinabove, pursuant to the conclusion of the SISP and the absence of interest at such time for AIR, and due to the inherent uncertainty, the near-totality of AIR employees have already resigned and were hired by Curtis, thereby *de facto* halting operations to a minimum, except to simply collect receivables.
126. As for XSU, which is a cost centre for the Flow Services and does not have operations other than covering certain corporate costs, it will remain with 5 employees after transactions made as part of the Remaining Assets Solicitation Process are closed. It is expected that this entity will be wound-down in due time. The Monitor is also informed that certain parties have approached NBF and the Company to purchase certain limited and specific assets, and will report subsequently if necessary.
127. The initiatives described above and contemplated by the Company are non-exhaustive and are susceptible to change rapidly as they are heavily dependent on the ongoing negotiations in respect of transactions forming part of the SISP process and the Remaining Assets Solicitation Process and on the conclusion of same. Further initiatives and measures might be required to be implemented as the Restructuring Process unfolds and will be further reported by the Monitor.

#### **B. Communications with various stakeholders and operations**

128. The Company continued to have regular communications with its main customers, suppliers and other key stakeholders in connection with the current situation and the next steps relating to the Restructuring Process.
129. Although the Company and the Monitor also continued having conversations with certain major clients in respect of ongoing projects with a view that the transactions would result in going concern of all businesses operated by the Company, many of these discussions have been suspended until further review, following the receipt of the phase 2 bids and the ongoing negotiations relating thereto, and such discussions with clients are expected to be continued with the purchasers of the respective businesses.
130. The Company and the Monitor also continued to have discussions and exchanges with the Petitioners' main suppliers, which are primarily parts & equipment suppliers, with a view of maintaining the Company's supply of goods necessary to cash-flow positive sales and operations.
131. The Company and the Monitor have also been proactive in responding to various stakeholders and shareholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.

132. As explained above, the Monitor has also actively supervised and engaged in the SISP Process and the Remaining Assets Solicitation Process, and has participated in numerous meetings and discussions with NBF, the Company, as well as bidders and parties to the various contemplated transactions.

### **C. Financing the Restructuring Process**

133. Since the Sixth Report and further to the Third ARIO and the Second Interim Financing Term Sheet, EDC granted a Second DIP Facility to Xebec, up to a maximum amount of \$2.5 M, which can be drawn in two separate tranches of \$1.25 M.
134. On February 17 and 21, 2023, Xebec has submitted two drawdown requests to EDC, respectively to each tranche available under the Second DIP Facility.
135. On February 21, 2023, Xebec collected the first tranche of the Second DIP Facility in the net amount of \$1,175 M (\$1.25 M minus \$75K in fees paid to EDC).
136. As of the present date, EDC has yet to disburse the second tranche of the Second DIP Facility, which was requested on February 21, 2023.
137. Since the last report, discussions have been ongoing with EDC in terms of interim financing needs to continue the Restructuring Process, either by one or more of (i) the payment of the second tranche of the Second DIP Facility, (ii) the negotiation of a third interim financing facility (the "**Third DIP Facility**"), and/or (iii) the permission granted to the Petitioners to finance their operations and cash-flow requirements with the Net Proceeds.
138. As indicated in the cash-flow appended to the present report at Appendix K, the Petitioners will require additional financing to continue the Restructuring Process, in the form of the second tranche of the Second DIP Facility and in a Third DIP Facility in an amount of at least \$2.85 M, which would be secured by a charge in the amount of approximately \$3.5 M.
139. It is expected that the second tranche of the Second DIP Facility will be paid before the March 16, 2023, hearing. Discussions remain ongoing as to the potential Third DIP Facility or to the authorization requested by the Petitioners to use the Net Proceeds to finance the operations.
140. Despite the inherent challenges arising namely from the results of phase 2 of the SISP, the high number of transactions to be negotiated and completed, and the pressure on the Company's operations and cash-flow, the Company remained careful and vigilant in managing its liquidities. The Xebec Group, with the assistance of the Monitor, has continued to focus on limiting disbursements and accruing liabilities.
141. The situation continues to evolve on a near-daily basis, especially in light of the ongoing negotiations in connection with potential transactions arising out of the SISP process and of the Remaining Assets Solicitation Process. The Company, with the assistance of the Monitor, has actively continued to monitor the operations of the Xebec Group with a view of maximizing value and reducing as possible the potential impacts of the Restructuring Process on all stakeholders. Once the contemplated transactions have been completed the remaining activities of the Company will be limited to an orderly wind-down of its remaining structure and performing a final reconciliation of its restructuring transactions in view of proceeding with a final distribution.
142. In terms of cash, as further illustrated in the Cash Flow Statement, and provided that the Company will be able to collect proceeds from the second tranche of the Second DIP Facility and from a potential Third DIP Facility and/or the Net Proceeds, the Petitioners will have sufficient funds to meet their obligations as they become due beyond the extension of the Stay Period sought by the Petitioners, up and until May 5, 2023.

143. Moreover, and as detailed in a subsequent section herein, the Monitor intends to pay certain beneficiaries of the CCAA Charges out of the Net Proceeds, including *inter alia*, the DIP Charge and the Second DIP Charge, and will seek the discharge and cancellation of these charges pursuant to the mechanism set forth in the Application for Payments.

#### **IV. THE MONITOR'S ACTIVITIES SINCE THE SIXTH REPORT**

144. Since the Sixth Report, the Monitor has continued to respond to inquiries received from various parties in respect of the Restructuring Process and the CCAA proceedings. The inquiries pertaining to the SISP are directed to the SISP Manager.
145. Since the Sixth Report, the Monitor posted on its website, *inter alia*, a copy of the CCAA Proceedings' materials, the Fifth and the Sixth Report of the Monitor, various Court Orders, the Reasons for Issuing the Amended ARIO as well as all the orders and other materials related to the recognition order under Chapter 15 of the US Bankruptcy Code. The Monitor's website is diligently updated on a regular and proactive basis, as is the service list.
146. Given the uncertainty in the ongoing operations and continued business for certain of the Petitioners as a consequence of the results of the SISP, the Monitor has provided and continues to provide general guidance on the Company's responsibilities regarding post-filing obligations.
147. Since the Sixth Report and as mentioned above, the Monitor continues to assist the Petitioners in their discussions with their main customers, suppliers and other key stakeholders and shareholders. The Monitor has participated in numerous meetings and/or had many communications with a number of stakeholders, including *inter alia*:
- a) the Company's secured lenders, NBC and EDC, and their respective financial advisors, PwC and Richter;
  - b) several of the Company's customers and suppliers;
  - c) certain of the Company's employees, laid-off employees and other personnel;
148. More generally, the Monitor has been responding diligently to questions and inquiries of various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.
149. In accordance with the Bidding Procedures, the SISP was conducted by the SISP Manager (NBF) and the Petitioners, with the oversight of the Monitor. The Monitor has had very frequent communications and discussions with NBF and the Company regarding the SISP and the Remaining Assets Solicitation Process, as well as discussions with the Successful Bidders and other potential bidders that were not retained to complete a transaction.
150. The Monitor has continued to have regular discussions with the Company and has been kept apprised on the Petitioners' operations and other material issues the Petitioners encounter from time to time.
151. The Monitor has continued its daily review of the Petitioners bank accounts and receipts and disbursements. Since the Sixth Report, daily information relating to the payment of goods or services supplied to the Petitioners continue to be presented to the Monitor by the Petitioners. The Monitor has received good cooperation from Management.
152. The Monitor has continued to assist the Company in establishing the Petitioners' revised cash-flow projections and modelling the different scenarios regarding its operations for the upcoming period.

153. Since the Sixth Report and in accordance with the DIP Term Sheet, the Monitor has continued to provide EDC and NBC with detailed weekly update reports in order to keep them informed of the Petitioners' financial position and to provide a weekly reporting on the Petitioners' cash position as well as detailed receipts and disbursements analysis. This reporting also includes a detailed status update on the SISP, the Remaining Assets Solicitation Process, and on other ongoing restructuring initiatives and issues.
154. The Monitor has also diligently responded to questions and requests for information from EDC and NBC following the receipt of the offers in respect of the SISP and of the Remaining Assets Solicitation Process.

#### **V. UPDATE ON RECOGNITION PROCEEDINGS IN THE UNITED STATES**

155. On February 10, 2023, the Petitioners filed a Foreign Representative's Motion for Entry of Order (I) Recognizing and Enforcing Third Amended and Restated CCAA Order; and (II) Authorizing Junior DIP Financing.
156. On the same day, the Petitioners also filed a Notice of Motion for Order (I) Recognizing and Enforcing CCAA Vesting Order; (II) Approving the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, and Encumbrance; (III) Approving Assumption and Assignment of Certain Contracts; and (IV) Granting Related Relief dated February 10, 2023.
157. On February 16, 2023, the United States Bankruptcy Court District of Delaware rendered the Order Approving Motion to Shorten Notice with Respect to Foreign Representative's Motion for Entry of Order (I) Recognizing and Enforcing Third Amended and Restated CCAA Order; and (II) Authorizing Junior DIP Financing.
158. On the same day, the United States Bankruptcy Court District of Delaware rendered the Order (I) Recognizing and Enforcing the CCAA Vesting Order; (II) Approving the Sale of Certain of the Debtors' Assets Free and Clear of Any and All Liens, Claims, and Encumbrances; (III) Approving the Assumption and Assignment of Certain Contracts; and (IV) Granting Related Relief.
159. It is expected that the Petitioners will require US recognition orders following the issuance of the TIT AVO, the XBC AVO and the UEC AVO.
160. The Monitor will consequently report further on these efforts in a subsequent report.

#### **VI. MONITOR'S APPLICATION FOR PAYMENTS AND MODIFICATIONS SOUGHT TO THE CHARGES IN THE FOURTH ARIO**

161. As more fully detailed and explained in the Application for Payments, the Monitor currently holds a net amount of approximately \$19.3M (the "**Net Proceeds**"), as a result of the ACS Transaction, FSTQ Transaction, Sullair Transaction and of the Ivys Transaction, the whole further to the breakdown of Net Proceeds provided at **Appendix F**.
162. The Application for Payments was announced at para. 81 of the Sixth Report and is returnable on March 16, 2023.
163. Given the availability of these funds and the heavy strain placed on the operations and cash-flow of the Petitioners, and the fact that these sums are due, the Monitor intends to go forward with certain payments to beneficiaries of CCAA Charges, in view of cancelling and/or reducing, as the case may be, certain CCAA Charges including the DIP Charge, the Second DIP Charge, the Transaction Charge and the KERP Charge.

164. The process and mechanism set forth in the Application for Payments and the terms of the draft order filed as Exhibit M-1 thereof was discussed in coordination with the Petitioners, as well as EDC and NBC, who have provided comments in relation thereto and have confirmed their support.
165. Given the payments contemplated in the Application for Payments and in the Monitor Payment Mechanism (as defined in said application), the Monitor intends to proceed in the following in respect of the CCAA Charges mentioned hereafter:
  - a) DIP Charge: payment of all outstanding amounts in relation to the DIP Facility upon receipt from EDC and NBC of a payment statement in a form a substance satisfactory to the Monitor;
  - b) Second DIP Charge: payment of all amounts owed under the Second DIP Facility to EDC, inclusive of the second tranche (if and once) drawn, upon receipt from EDC of a payment statement in a form a substance satisfactory to the Monitor;
  - c) Transaction Charge: payment of NBF's invoices filed as Exhibit M-2, *under seal*, in the amount of \$1,121,006.25\$ (\$975,000 plus taxes);
  - d) KERP Charge: payment of amounts owed under the KERPs, as they become due, and correlative reduction of the KERP Charge.
166. As detailed in the Application for Payments, and subject to the issuance of the orders sought, the Monitor will issue certificates, from time to time, which will effect (i) the cancellation and discharge of the DIP Charge, the Second DIP Charge and the Transaction Charge without requiring a further order from the Court, and (ii) the reduction of the KERP Charge, from time to time.
167. In respect of the KERP Charge, and as detailed in the Application, the Petitioners will ask the Court to amend the list of participants. The amended list has been reviewed by the Monitor, which is supportive of same.

## **VII. WEPP RELIEF SOUGHT IN THE APPLICATION**

168. As detailed in the Application, the Petitioners seek an order confirming that FormerXBC Inc. (former BLA), ACS and CAI meet the criteria prescribed by section 5(5) of the WEPPA and related regulation, in order to trigger such relief for the benefit of over 40 former employees of these entities to which it could apply.
169. Given the developments and transactions executed in respect to such entities, the Monitor supports the Petitioners' request, which will allow the employees who have not been retained by the respective purchasers to benefit from the WEPP.

## **VIII. LONDON RNG APPLICATION**

170. On March 10, 2023, the Monitor was informed that London RNG had issued a Payment Demand to NBC in respect of its Letter of Credit, as these terms are defined in *the Urgent Application for the Issuance of an Order Directing Payment In Trust to the Court-Appointed Monitor (London RNG)*, filed by the Petitioners on March 14, 2023 (the "**London RNG Application**").
171. Indeed, and as further detailed in the London RNG Application, the Petitioners and the Monitor were informed on March 10, 2023, that London RNG had issued its Payment Demand. On the same day, the Petitioners, in consultation with the Monitor, sent the Cease-and-Desist Letter, informing that the Payment Demand was detrimental to the restructuring efforts of FormerXBC Inc. (BLA) and that it would file the London RNG Application in the event that no confirmation was received as to the cancellation or withdrawal of the Payment Demand, and that the Petitioners would ask the Court that any such payment from NBC should be directed to the Monitor and held in trust pending adjudication or resolution.

172. Later on March 10, 2023, after counsel for the Monitor informed counsel for NBC and EDC of this intention, counsel for NBC advised that NBC would have no other choice than to make the payment to London RNG on March 16, 2023, unless ordered by the Court to direct the payment to the Monitor.
173. On March 14, 2023, the Petitioners notified the London RNG Application.
174. Several discussions were since held with London RNG's counsel, and with NBC's and EDC's counsel and a joint draft order will be submitted to the Court for approval, which would, *inter alia*, order NBC to direct any amounts to be made under the Letter of Credit to the Monitor, to be held *in trust* until determination of the parties' respective rights under the Letter of Credit is made in a final judgment of a Court or other forum having jurisdiction or until an agreement is entered into by the parties.

**IX. UPDATE ON SECURED LENDERS' SECURITY AND THE INTERCOMPANY TRANSACTIONS REPORT TO BE ISSUED BY THE MONITOR AS PART OF THE ALLOCATION PROCESS TO BE COMPLETED**

**A. SECURITY OF NBC AND EDC**

175. As of the present date, the Monitor has obtained legal opinions from Canadian and US counsel in respect to the validity of the security held by NBC and EDC. The Monitor has also been provided by the Petitioners of an opinion they have obtained under UK Law in respect of the validity of NBC's security in this jurisdiction, regarding Xebec UK and Tiger.
176. As previously reported, EDC does not hold security on all Petitioner entities. In fact, it only holds first ranking security on the assets of NOR, XBC, CAL and UEC, the shares held by XHU in these entities, and second ranking security on the assets of BLA, which will therefore require an allocation analysis of the restructuring proceeds and costs between the estates of the Petitioners.
177. Moreover, the opinion obtained from the Monitor's US counsel has indicated that both NBC and EDC currently do not have a perfected security interest in the cash balances of Petitioner entities in the US, given the absence of control agreements with depositaries of such accounts.
178. In light of (i) the lack of a perfected security interest in the above-mentioned cash balances, (ii) the transactions executed in respect to entities on which EDC does not hold security, (iii) and notwithstanding the fact that it was reported in the Fifth Report that a distribution to unsecured creditors was unlikely, it is possible that distributions could be available for unsecured creditors of certain estates, subject to the allocation process to occur subsequently.

**X. PAYMENTS TO CRITICAL SUPPLIERS**

179. No change to discuss since the Sixth Report.

**XI. INTERCOMPANY PAYMENTS**

180. As mentioned in the previous reports, and as provided by the First Day Initial Order, intercompany funding has been required between entities of the Xebec Group in order to preserve value and maintain going concern operations and pay post-filing obligations. As mentioned in the Fourth Report, the Monitor has implemented the Intercompany Protocol in order to be informed of these intercompany payments and reviews them and, in conformity with the Third ARIO and the DIP Term Sheet, has reported these intercompany payments to the DIP Lenders on a weekly basis.

181. The detailed list of all intercompany payments since the Sixth Report is presented at **Appendix G** of this report. As indicated in the notes of said Appendix G and hereinabove, the mechanics regarding the Petitioners' allocated share of the restructuring costs and other intercompany payments, as the case may be, could be adjusted retroactively as part of the CCAA Proceedings and/or once the SISP and the Final Bids Solicitation Process are completed, prior to distributions of the proceeds from transactions.
182. As provided for pursuant to para. 31 of the Third ARIO, the Monitor will subsequently prepare an Intercompany Transactions Report, which will be filed in due time with the Court.
183. The Intercompany Transactions Report will detail the Intercompany Transactions which will have occurred since the date of the Initial Order and will include the Monitor's proposed allocation of the net proceeds to be remitted.

## **XII. ACTUAL RECEIPTS AND DISBURSEMENTS**

184. The Petitioners have remained careful and vigilant in managing the Company's liquidities in the context of the Restructuring Process.
185. Xebec Group's financial performance highlights for the period from January 22, 2023, to March 4, 2023, are presented in the Actual Cash Flow appended hereto as **Appendix H**. The Monitor's comments on the Petitioners' financial performance during this period are as follows:
  - a) compared with the Initial Cash Flow Statement, the actual receipts and disbursements demonstrates a net cash balance as at March 4, 2023, of \$4.1M which is \$2.7M higher than budgeted. This favorable variance mainly results from:
    - i. a favorable variance of \$4.0M in cash inflows explained by higher collections from operations (\$3.5M), proceeds from entities' sales transactions (\$1.0M), and transfers from related parties (\$0.9M). These favorable variances were, however, compensated by unfavorable variances from lower DIP financing collections (\$1.250M) as only one installment was paid. Please refer to Appendix H for more details.
    - ii. An unfavorable variance of \$1.3M in cash outflows, which is mainly explained by higher disbursements for the professionals' fees (\$0.4M) and transfers to related parties (\$0.9M). Please refer to **Appendix I** for more details.
186. The amount of professional fees paid and accrued is also superior to amounts initially projected and previously reported. This difference results from the number of issues arising in multiple jurisdictions and the multiple transactions following the receipt of the bids as part of phase 2 of the SISP and of the Remaining Assets Solicitation Process. This leads to significant work on a constrained period to be performed by the Company, the Monitor, the DIP lenders (and their respective financial advisors) and each respective counsel. As of March 14, 2023, there were 1.3M\$ of outstanding invoices that were received from the professionals. Please refer to **Appendix I** for the detail.

187. In the First Report, it was reported that the Company's indebtedness towards NBC excluded outstanding letters of credit in the amount of approximately \$7.5M. The Monitor has since been made aware that an amount of approximately \$360K USD was drawn against a letter of credit, as reported in the Third Report. Since the First Report, various letters of credit have expired or have been cancelled. As of the date of this Seventh Report, the outstanding amount represents \$2.6M as several letters of credits are expected to be covered by the buyer as part of the UEC transaction. As mentioned previously, the proceeds from the Tiger transaction in excess of the balance of the Revolver Facility and of the professional fees owing to NBC's legal counsel (Canada, US and UK) and financial advisor have been allocated to cash collateralizing a significant portion of the obligations under the letters of credit which will secure the repayment of indebtedness resulting from the drawing of the letters of credit. Please refer to **Appendix J** for more details.
188. As of the date of this Seventh Report and for the extension of the Stay Period, the invoices relating to goods delivered and services rendered to the Petitioners after the First Day Initial Order have been paid or are forecasted to be paid in the normal course of business out of the existing working capital of the Petitioners, including its different bank accounts.
189. Since the filing of the CCAA Proceedings, the Company continued to operate in good faith and in the normal course, subject to these CCAA proceedings. In that context, the Company entered into contracts, received deposits and/or milestone payments, including certain material payments, after the First Day Initial Order. Given the results of phase 2 of the SISP and the transactions contemplated by the retained offers, it appears likely that certain of these projects or contracts will not be completed by the Petitioners (and neither by the relevant purchasers, in some cases) pursuant to the terms of the existing contracts, such that the applicable contracting parties who paid these amounts will have claims against the Petitioners in connection thereto. It is for this reason that, promptly after the receipt and review of the phase 2 bids and the resulting significant uncertainty relating to the going concern of certain entities, the Company, in consultation with the Monitor, determined that it would immediately suspend the receipt of new deposits or milestone payments.

### **XIII. OVERVIEW OF THE CASH-FLOW PROJECTIONS**

190. The Company, with the assistance of the Monitor, has prepared the statement of projected cash-flow (the "**Cash Flow Statement**") for the 9-week period from March 5, 2023, to May 5, 2023 (the "**Cash Flow Period**") for the purpose of projecting the Company's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix K** to this report.
191. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement attached as **Appendix L** to this report.
192. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions relating to information supplied to it by Management. The Monitor's procedures with respect to the assumptions set forth in Appendix L were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the documents provided by Management in support of the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
193. Based on the Monitor's review and subject to the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
- (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;



- (ii) As at the date of this Seventh Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
  - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
194. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or, relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of the Company's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by the Petitioners.
195. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement (Appendix L), and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
196. As mentioned above, the key assumptions used in the Cash Flow Statement are based on the Petitioners' most recent sales and costs trends as well as the result of the SISP and of the Remaining Assets Solicitation Process, as previously described.
197. Management continues to anticipate potential restrictive payment terms for purchases from suppliers due to the CCAA proceedings, but also given that certain entities will be operating at a reduced level.
198. As appears from the Cash Flow Statement and as indicated herein, the Petitioners intend to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings.
199. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
200. This being said, the Cash Flow Statement of the Company for the Cash Flow Period and for the period subsequent to same will depend in particular on the evolution of discussions with its suppliers and customers, but also on the ongoing negotiations with potential acquirers leading up to closing one or more transaction(s).

#### **XIV. EXTENSION OF THE STAY PERIOD**

201. The Stay Period currently expires on March 17, 2023. The extension of the Stay Period until May 5, 2023, sought by the Petitioners is namely required to conclude the Remaining Assets Solicitation Process, to close additional potential and/or contemplated transactions for the Xebec Group Remaining Assets, where possible, and, in the absence of such transactions in a reasonable timeframe, to organize an orderly wind down of these entities.

202. As described in this Seventh Report, the Cash Flow Statement indicates that the Petitioners should have sufficient liquidity to continue to meet their obligations in the ordinary course of business with continued access to their current liquidities and existing working capital, provided however that additional interim financing can be obtained or that the Petitioners are authorized to use the Net Proceeds to fund operations.

**XV. MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

203. In the context referred to above and herein, the Monitor supports the relief sought by the Application, including in particular (i) the extension of the Stay Period until May 5, 2023, (ii) the approval of the Fluid-Aire Transaction, the Total Energy Transaction and the UEC Transaction, (iii) the issuance of the Fourth ARIO and the relief contained therein, the (v) the amended list of participants in the KERPs, and (vi) the issuance of the WEPP Relief.
204. The Monitor also obviously supports the issuance of the Monitor Payment Mechanism detailed in the Application for Payments and related relief sought therein, in order to reduce and/or discharge certain CCAA Charges.
205. It is the Monitor's view that the continuation of the Restructuring Process is beneficial to the creditors and stakeholders as a whole.
206. Without the relief sought by the Petitioners in the Application, drastic measures would be required to be put in place on an urgent basis, which would likely compromise the transactions contemplated by the Company.
207. The Monitor believes that the Petitioners have acted, and are acting, in good faith and with due diligence and that the relief sought by the Application is appropriate.

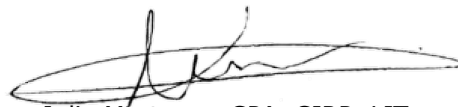
**DATED AT MONTREAL**, this 15<sup>th</sup> day of March 2023

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of the  
Petitioners



Jean-François Nadon, CPA, CIRP, LIT



Julie Mortreux, CPA, CIRP, LIT

## Appendix A – Binding Offer Instruction Letter



*Strictly Private & Confidential*

*Via e-mail*

February 17, 2023

**Re: Project Eagle Binding Offer Instruction Letter**

Dear Sirs and Mesdames:

On behalf of Xebec Adsorption Inc. and certain of its subsidiaries (collectively the “Company” or the “Petitioners”), National Bank Financial Inc. (“NBF” or the “Financial Advisor”) and Deloitte Restructuring Inc. (“Deloitte” or the “Monitor”), would like to thank you for your continued interest with respect to a potential transaction (the “Transaction”) involving the acquisition of all, substantially all, or certain portions of the shares and/or the business, property and assets of the Petitioners and of any of its affiliates (collectively, the “Business”) that remain following the conclusions of the Sale and Investment Solicitation Process (“SISP”). These are comprised of: Enerphase Industrial Solutions, Inc., Nortekbelair Corporation, The Titus Company, XBC Flow Services – Wisconsin Inc., Xebec Systems USA, LLC, Xebec Adsorption USA Inc., and Inmatec Gase Technologie GmbH & Co. KG.

This letter (the “Binding Offer Instruction Letter”) provides instructions regarding a **final opportunity** for interested parties (“Bidders”) to submit a binding offer (“Binding Offer”) for all or parts of the remaining assets or shares of the Company following the conclusion of the SISP. Note that the instructions herein must be **strictly adhered to** in order for a Binding Offer to be considered.

All Bidders have been provided with a form of draft asset purchase agreement (the “Draft APA”) and a form of draft share purchase agreement (the “Draft SPA”) that will serve as the basis for the submission of a Binding Offer to acquire all or substantially all of the Business or some other portion of the Business. You will submit one of either the APA or the SPA, depending on the structure of your proposed Transaction, as your Binding Offer.

### **Binding Offer Process**

A Binding Offer will **only** be considered **provided that it:**

- (a) is received by the Binding Offer Deadline;
- (b) clearly outlines the assets of the Business being sought;
- (c) is unconditional, other than upon the receipt of court approval;

- (d) is not subject to any due diligence or financing condition;
- (e) clearly outlines that the purchase price is not subject to any adjustments related to working capital, liabilities of the Company or any other adjustments;
- (f) does not provide for any break fee, expense reimbursement or similar type of payment;
- (g) contemplates and reasonably demonstrates a capacity to the execution of the APA or SPA no later than March 3, 2023, with closing of the transaction to occur shortly thereafter;
- (h) contemplates that the Bidder will bear its own costs and expenses (including legal and advisor fees) in connection with the proposed transaction, and by submitting its bid, is agreeing to refrain from and waive any assertion or request for reimbursement on any basis.

In addition, a duly authorized and executed Draft APA or Draft SPA specifying all consideration payable, together with all exhibits and schedules thereto together with a blackline to the Draft APA or Draft SPA must be submitted with the Binding Offer. For avoidance of doubt, a Binding Offer will not be accepted otherwise. To the extent your Binding Offer is only for certain physical assets, a Draft APA is not necessary and only the elements (a) to (h) above must be included.

### **Deadline for Submission of Formal Binding Offers**

You must submit a Binding Offer to the Financial Advisor and to the Monitor at the address specified below not later than 5:00 p.m. (prevailing Eastern Standard Time) on February 23, 2023 (the “Binding Offer Deadline”).

Your Binding Offer must be signed by an authorized representative of your company and should be addressed to:

**National Bank Financial Inc.**  
1155, Metcalfe Street, 5<sup>th</sup> FL  
Montreal, Québec, H3B 4S9

**Attention:** Thomas Bachand, Managing Director, Investment Banking  
**Email:** [thomas.bachand@nbc.ca](mailto:thomas.bachand@nbc.ca)

**Attention:** Andrew Armstrong, Managing Director, Mergers & Acquisitions  
**Email:** [andrew.armstrong@nbc.ca](mailto:andrew.armstrong@nbc.ca)

## Appendix A – Binding Offer Instruction Letter (cont'd)

With copies addressed to the following:

**Deloitte Restructuring Inc.**, in its capacity as Court-appointed Monitor  
1190, avenue des Canadiens-de-Montréal  
Suite 500  
Montreal, Québec, H3B 0M7

**Attention:** Mr. Jean-François Nadon, Partner  
**Email:** [jnadon@deloitte.ca](mailto:jnadon@deloitte.ca)

**Attention:** Mrs. Julie Mortreux, Partner  
**Email:** [jmortreux@deloitte.ca](mailto:jmortreux@deloitte.ca)

### *Qualifications Regarding Process*

The Petitioners, in consultation with the Financial Advisor and the Monitor, expressly reserve the right in their sole and absolute discretion at any time, with or without providing notice or reasons, to terminate discussions with any or all parties, to reopen discussions with others, to reject any or all Binding Offers, or to negotiate with any party or parties with respect to a Transaction or any other Transaction involving the Petitioners without liability to the Petitioners, the Financial Advisor, the Monitor or any of their respective directors, officers, employees, advisors, affiliates or other representatives. In addition, the Petitioners, in consultation with the Financial Advisor and the Monitor, reserve the right to amend any information which has been made available to parties either by way of addition, deletion or amendment, although none of the Petitioners, the Financial Advisor or the Monitor undertake to update, revise or correct any inaccuracies in any information which may become apparent. No finder's fees, commissions, expenses or other compensation will be paid by the Petitioners, the Financial Advisor or the Monitor to agents, consultants, advisors or other intermediaries of any Bidder. The Petitioners, the Financial Advisor and the Monitor, disclaim any and all liability for any information supplied to you, either written or oral, and whether supplied directly or via a virtual data room established for the Transaction. Furthermore, no representation or warranty with respect to any information provided is made or implied and the Petitioners, the Financial Advisor and the Monitor shall not have any obligations to you with respect to the Transaction except as may be expressly agreed by the Petitioners, the Financial Advisor or the Monitor in any written definitive agreement executed by all parties thereto to implement the Transaction.

Nothing herein shall constitute a waiver or modification of any of the terms of the Confidentiality Agreement between you and the Company, which shall continue in full force and effect. All questions concerning the [Company](#) or this letter should be addressed to the Financial Advisors' personnel. Under no circumstances should you contact the Company or its management, employees, agents, customers or suppliers without the prior explicit consent of the Monitor or the Financial Advisor.

### *Further Information*

We appreciate your continued interest and look forward to receiving your Binding Offer, including the additional elements mentioned above forming part of it. Should you have any questions regarding the above or any other matters relating to this letter, you should contact Thomas Bachand at [thomas.bachand@nbc.ca](mailto:thomas.bachand@nbc.ca), Andrew Armstrong at [andrew.armstrong@nbc.ca](mailto:andrew.armstrong@nbc.ca), or Alexander Banks at [alexander.banks@nbc.ca](mailto:alexander.banks@nbc.ca).

Yours truly,

**Thomas Bachand**  
Managing Director  
Investment Banking  
National Bank Financial

**Andrew Armstrong**  
Managing Director  
Mergers & Acquisitions  
National Bank Financial

**Alexander Banks**  
Director  
Investment Banking  
National Bank Financial

**Appendix B – Bid Overview NBF (Under seal)**

## Appendix C – SISP Summary Monitor Summary Recapitulation

### XEBEC ADSORPTION INC. & AI.

Scope of Bids - SISP Summary  
As of March 15, 2023

Bidder	Transaction Date		Petitioners											Non-Petitioners							
			Closing	Expected	BLA	CAI	ACS	GNR	CAL	CDA	NOR	AIR	Note 1			XSU	TIGER	Shanghai	HyGear	ITA	Inmatec
													XBC	UEC	TIT						
Forum Family Office	27-Jan-23	-														*					
HoSt Bioenergy Systems	6-Feb-23	-																*			
1396905 B.C. LTD	7-Feb-23	-			*																
FSTQ	15-Feb-23	-				*															
Sullair	21-Feb-23	-					*														
Ivys Energy Solutions	24-Feb-23	-	*														*				
Next Air & Gas	14-Mar-23	-						*													
Curtis-Toledo	-	15-Mar-23								*											
Total Energy Systems	-	20-Mar-23									*										
Energylink	-	21-Mar-23										*									
Fluid-Aire Dynamics	-	23-Mar-23											*								

- 1 Following the Remaining Assets Solicitation Process, these entities received an acceptable offer and are expected to sell substantially all of their assets.
- 2 Following the Phase 2 Bid and Remaining Assets Bid Deadline, these entities did not receive an acceptable binding offer, as further detailed in the Fifth Report (including in the confidential Appendix A filed under seal).
- 3 Xebec Italy filed an assignment in bankruptcy under applicable Italian laws. These assets are expected to be liquidated as part of the bankruptcy.

## Appendix D – Transactions Overview

APPENDIX - REMAINING ASSETS SOLICITATION PROCESS Transactions Overview								
Entity	Buyer	Amount Offered (In \$000 CAD)	Higher than Liquidation Value	Anticipated Closing date	# of Current Employees	% of Employees Taken Over	Other Benefits	Assets Purchased
UEC	EnergyLink	4,115	YES	21-Mar-23	55	Minimum 80%	- Assumption of a letter of credit - Excluded assets which can be realized by OldCo - Assumed contracts (Clients, Suppliers, Landlords, Equipment leases)	Substantially all assets
TIT	Fluid-Aire Dynamics	1,856	YES	23-Mar-23	21	81%	- Assumed contracts	Substantially all assets
XBC	Total Energy Systems	1,501	YES	20-Mar-23	9	100%	- Assumed contracts	Substantially all assets
AIR	Curtis-Toledo	892	YES	15-Mar-23	0	Note 1	- Accounts receivable not part of the purchased assets and realized by OldCo	Inventory and equipment
NOR	Next Air & Gas	210	YES	14-Mar-23	14	Subject to the buyer	N/A	All assets

**Notes**

1 All employees resigned before a transaction could be reached. The offer made by the buyer relates to the inventory, equipment, and other assets of the company.

## Appendix E – Post-Closing Assigned / Assumed Contracts

<b>APPENDIX D</b>		
<b>Assumed Contracts</b>		
<b>Customer / Project name</b>	<b>PO/Contract/Agreement</b>	<b>Issued Date</b>
Ocean Infinity	PO# 2021-001	9/20/2021
Air Liquide	NA. Master Supply Agreement Already Assumed in APA. They should have the AVO served to them already.	
Globon	PO# GH-2112-PO-001	12/10/2021
JNK-India	PO# JNKI-055-PO-004	1/19/2022
JNK Heaters	PO# R10044-PO-003 & R10048-PO-001	4/15/2022 & 7/27/2022
S3D (Archimbaud)	PO-01	8/3/2022
ABSL	PO-1452	12/14/2022
Oberon Fuels (US)	PO# 22-1095	12/27/2022
Promotora Energetica	PO# E31022-2021	12/27/2021
Symbiont	PO# 21PS37586-06; 21PS37555-06 & 21PS37513-06	12/10/2021
Global Green International Investments Pte Ltd (GGII)	Master Purchase and Supply Agreement for Goods and Service between GGII and Xebec Adsorption Inc.	3/20/2022



## Appendix F – Breakdown of Net Proceeds

### XEBEC ADSORPTION INC. & AI.

Breakdown of Net Proceeds  
In \$000s CAD, as of March 7, 2023

#### COMPLETED TRANSACTIONS

<u>Transactions</u>	<u>Petitioners</u>	<u>Net Proceeds</u> <sup>(1)</sup>	
ACS Transaction	Applied Compression Systems Ltd.	400	
FSTQ Transaction	Xebec RNG Holdings Inc.	100	
Sullair Transaction	CDA Systems, LLC California Compression, LLC	12,208	
Ivys Transaction	Xebec Adsorption Inc. Compressed Air International Inc.	7,910	
Gain on foreign exchange <sup>(2)</sup>		202	
		<b>20,820</b>	
Payments made to the beneficiaries of the Administration Charge		(1,489)	
Bank fees, and other charges (net of interest revenue)		(4)	
<b>Outstanding balance as of March 7, 2023</b> <sup>(2)</sup>		<b>19,327</b>	<b>A</b>

#### PAYMENTS TO BENEFICIARIES OF THE CCAA CHARGES

DIP Facility - Reimbursement to NBC	1,500	
DIP Facility - Reimbursement to EDC	1,500	
Second DIP Facility - Reimbursement to EDC	2,500	
KERP	489	
Transaction Fee	975	
	<b>6,964</b>	<b>B</b>
<b>Outstanding balance after priority charges</b> <sup>(2)</sup>	<b>12,363</b>	<b>C = (A - B)</b>

#### TRANSACTIONS TO BE COMPLETED

<u>Transactions</u>	<u>Petitioners</u>	<u>Estimated Net Proceeds</u> <sup>(2) (3)</sup>	
EnergyLink Transaction	Xebec Systems USA, LLC	4,115	
FAD Transaction	The Titus Company	1,856	
Curtis Transaction	Enerphase Industrial Solutions Inc.	892	
Total Energy Transaction	XBC Flow Services – Wisconsin Inc.	1,501	
Next Air Transaction	Nortekbelair Corporation	210	
<b>Total proceeds from transactions to be completed</b>		<b>8,574</b>	<b>D</b>

#### ADDITIONAL PAYMENT TO THE BENEFICIAIRES OF THE CCAA CHARGES OR THE USE OF PROCEEDS

Potential Third DIP Facility - Reimbursement to EDC	2,850	<b>E</b>
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#### Estimated Balance Available for Distribution

<b>Estimated Balance Available for Distribution</b> <sup>(2)</sup>	<b>18,087</b>	<b>F = (C + D - E)</b>
--	---------------	------------------------

**Note 1:** Assuming closing FX rates at the date of the transactions as per the Bank of Canada.

**Note 2:** Assuming FX rate of 1.3717 USD as per the Bank of Canada on March 7, 2023.

**Note 3:** Conditions attached to the transactions to be completed could have an impact on purchase price at closing (e.g. inventory, accounts receivable and assumed liabilities at closing)

## Appendix G – Intercompany Payments

Refer to **Appendix M** of the report for the naming convention of the legal entities.

Intercompany Transactions - Monetary transfers summary		In thousand CAD						
For the week ending		28-Jan-23	04-Feb-23	11-Feb-23	18-Feb-23	25-Feb-23	04-Mar-23	Total
<b>Collections</b>								
XSU from CAL <sup>(1)</sup>	California Compression LLC --> Xebec Adsorption USA Inc.	-	100	-	-	-	-	100
XSU from TIT <sup>(1)</sup>	The Titus Company --> Xebec Adsorption USA Inc.	54	-	-	-	-	-	54
XSU from XBC <sup>(1)</sup>	XBC Flow-Services - Wisconsin Inc. --> Xebec Adsorption USA Inc.	-	-	-	100	-	-	100
BLA from CAI <sup>(2)</sup>	Compressed Air International Inc. --> Xebec Adsorption Inc.	226	-	-	-	-	-	226
XSU from AIR <sup>(1)</sup>	Enerphase Industrial Solutions Inc. --> Xebec Adsorption USA Inc.	-	20	-	101	-	-	121
XSU from NOR <sup>(1)</sup>	Nortek Belair Corporation --> Xebec Adsorption USA Inc.	-	33	-	187	-	-	204
BLA from UEC <sup>(2)</sup>	Xebec Systems USA LLC --> Xebec Adsorption Inc.	1 605	-	-	-	-	-	1 605
BLA from CDA <sup>(5)</sup>	CDA Systems Ltd --> Xebec Adsorption Inc.	-	-	-	-	-	279	279
BLA from AIR <sup>(2)</sup>	Enerphase Industrial Solutions Inc. --> Xebec Adsorption Inc.	133	-	-	-	-	-	133
BLA from TIT <sup>(2)</sup>	The Titus Company --> Xebec Adsorption Inc.	200	-	-	-	-	-	200
BLA from ACS <sup>(3)</sup>	Applied Compression Systems Ltd. --> Xebec Adsorption Inc.	-	-	369	-	-	-	369
CAL from CDA <sup>(4)</sup>	CDA Systems Ltd --> California Compression, LCC	-	-	-	30	-	-	30
<b>Total Collections</b>		<b>2 218</b>	<b>153</b>	<b>369</b>	<b>418</b>	<b>-</b>	<b>483</b>	<b>3 641</b>
<b>Disbursements</b>								
CAL to XSU <sup>(1)</sup>	California Compression LLC --> Xebec Adsorption USA Inc.	-	100	-	-	-	-	100
TIT to XSU <sup>(1)</sup>	The Titus Company --> Xebec Adsorption USA Inc.	54	-	-	-	-	-	54
XBC to XSU <sup>(1)</sup>	XBC Flow-Services - Wisconsin Inc. --> Xebec Adsorption USA Inc.	-	-	-	100	-	-	100
CAI to BLA <sup>(2)</sup>	Compressed Air International Inc. --> Xebec Adsorption Inc.	226	-	-	-	-	-	226
AIR to XSU <sup>(1)</sup>	Enerphase Industrial Solutions Inc. --> Xebec Adsorption USA Inc.	-	20	-	101	-	-	121
NOR to XSU <sup>(1)</sup>	Nortek Belair Corporation --> Xebec Adsorption USA Inc.	-	33	-	187	-	-	204
UEC to BLA <sup>(2)</sup>	Xebec Systems USA LLC --> Xebec Adsorption Inc.	1 605	-	-	-	-	-	1 605
CDA to BLA <sup>(5)</sup>	CDA Systems Ltd --> Xebec Adsorption Inc.	-	-	-	-	-	279	279
AIR to BLA <sup>(2)</sup>	Enerphase Industrial Solutions Inc. --> Xebec Adsorption Inc.	133	-	-	-	-	-	133
TIT to BLA <sup>(2)</sup>	The Titus Company --> Xebec Adsorption Inc.	200	-	-	-	-	-	200
ACS to BLA <sup>(3)</sup>	Applied Compression Systems Ltd. --> Xebec Adsorption Inc.	-	-	369	-	-	-	369
CDA to CAL <sup>(4)</sup>	CDA Systems Ltd --> California Compression, LCC	-	-	-	30	-	-	30
<b>Total Disbursements</b>		<b>2 218</b>	<b>153</b>	<b>369</b>	<b>418</b>	<b>-</b>	<b>483</b>	<b>3 641</b>

### Notes

1. Xebec Adsorption USA inc., being a corporate office, is mainly a cost center entity with overhead costs including amongst other things, payroll and insurance. The transfers to Xebec Adsorption USA inc. represent the allocated share of payroll and overhead expenses.
2. The transfer to Xebec Adsorption Inc. was made to pay operating expenses, capital reimbursements and restructuring costs.
3. Shortly after the closing of ACS Transaction on February 7, 2023, the ACS liquidities have been transferred to BLA as an Intercompany Transaction pursuant to the Third ARIO and used as part of the cash flow of the Petitioners. Management will make a full reconciliation of the last payments pertaining to payroll and other remittance (including deductions at source) and might be required to make intercompany transfers from BLA to ACS accounts accordingly.
4. Prior to the closing of the Sullair Transaction, an amount of approximately \$30K (\$22k USD) was transferred from CDA to CAL, both part of the same transaction. This amount will ultimately be transferred to BLA following the reconciliation of the bank statements.
5. Shortly after the closing of the Sullair Transaction on February 21, 2023, part of CDA liquidities have been transferred to BLA as an Intercompany Transaction pursuant to the Third ARIO and used as part of the cash flow of the Petitioners. Management will make a full reconciliation of the last payments pertaining to payroll and other remittances (including deductions at source) and might be required to make intercompany transfers from BLA to CDA accounts accordingly.

**Appendix H – Budget to actual (BTA)  
(period from January 22, 2023, to March 4, 2023)**

<b>Consolidated - North America Budget to actual ("BTA") In \$000s CAD</b>		<b>For the 6-week period ended Mar 4, 2023</b>			
	<u>Actual</u>	<u>Budget</u>	<u>Var. (\$)</u>	<u>Var. (%)</u>	<u>Notes</u>
<b>Collections</b>					
Sales from operation	11,453	7,964	3,489	44%	<b>1</b>
DIP Financing - Collection	1,175	2,500	(1,325)	-53%	<b>2</b>
Transfer from related party - Collection	3,641	2,785	856	31%	<b>3</b>
First Net Proceeds from SISP available for distribution - Petitioners	1,488	500	988	198%	<b>4</b>
	<b>17,757</b>	<b>13,749</b>	<b>4,008</b>	<b>29%</b>	
<b>Disbursements</b>					
Payroll	4,264	4,045	(219)	-5%	<b>5</b>
Purchases	6,222	6,357	135	2%	<b>6</b>
Leases and Obligation under capital leases	466	550	84	15%	<b>7</b>
Professional fees	4,366	3,976	(390)	-10%	<b>8</b>
Transfer to related party - Disbursements	3,641	2,785	(856)	-31%	<b>3</b>
KERP	324	324	-	-	<b>9</b>
Fees and interest on DIP Financing	150	200	50	25%	<b>10</b>
EDC - Capital reimbursements	123	81	(42)	-52%	<b>11</b>
EDC - fees and interests payments	188	160	(28)	-18%	<b>11</b>
NBC - Capital reimbursements	85	85	-	-	<b>12</b>
NBC - fees and interests payments	46	-	(46)	-	<b>12</b>
	<b>19,875</b>	<b>18,563</b>	<b>(1,312)</b>	<b>-7%</b>	
<b>Net cash flow</b>	<b>(2,118)</b>	<b>(4,814)</b>	<b>2,696</b>		
<b>Net cash - Beginning</b>	<b>6,257</b>	<b>6,254</b>	<b>3</b>		
<b>Net cash - Ending</b>	<b>4,139</b>	<b>1,440</b>	<b>2,699</b>		
<b>Net cash pertaining to Newco</b>	<b>367</b>	<b>-</b>	<b>367</b>		
<b>Net cash (including Newco) - Ending</b>	<b>4,506</b>	<b>1,440</b>	<b>3,066</b>		

## Appendix H – Budget to actual (BTA) (cont'd)

**Consolidated - North America**  
**Notes on Budget-to-Actual Analysis ("BTA")**  
For the 6-week period ended March 4, 2023

<b>Note 1</b>	<b>Sales from operation</b>	On a cumulative and consolidated basis, the sales from operations collection were higher than budgeted by \$3.5M. The favorable variance is the result of higher collections prior to the closing of several transactions which resulted in permanent favorable variances. For certain entities, the overall level of operation was higher than initially budgeted. Consequently, some of the favorable variances in the collections is compensated by higher disbursements.
<b>Note 2</b>	<b>DIP Financing - Collection</b>	Pursuant to the Third Amended and Restated Initial Order and the Second Interim Financing Term Sheet, EDC granted a Second Interim Financing Facility up to a maximum amount of \$2.5M. Management has submitted two drawdown requests on February 17 and 21, 2023 each for an amount of \$1.25M. On February 21, 2023, Xebec Adsorption Inc. collected the first tranche of the Second DIP which amounts to \$1.175M net of \$75K fees.
<b>Note 3</b>	<b>Transfers - related party</b>	A detailed list of intercompany transfers is presented in the appendices of this report.
<b>Note 4</b>	<b>First Net Proceeds from SISIP available for distribution</b>	<p>An amount of \$1,088k of First Net Proceeds from SISIP available for distribution was used in accordance with the Third ARIO as well as the Ivys, Sullair and FSTQ AVOs in which payments in the aggregate amount of \$1.1M can be made by the Monitor for outstanding invoices to the beneficiaries of the Administration Charge out of the net proceeds from the Ivys, Sullair and FSTQ Transaction.</p> <p>In addition, an amount of \$400k of First Net Proceeds from SISIP available for distribution was used from the proceeds of the ACS transaction which closed on February 7, 2023. This amount was used to pay certain outstanding invoices owing to the beneficiaries of the Administration Charge, without any corresponding reduction of the amount of the Administration Charge, in conformity with the ACS Approval and Vesting Order.</p>
<b>Note 5</b>	<b>Payroll</b>	On a cumulative basis, payroll was higher than budget by \$219K. The unfavourable variance is mainly the result of higher overtime and commissions which contributed to the sales from operations collected during the period.
<b>Note 6</b>	<b>Purchases</b>	On a cumulative basis, the favourable variance of \$135K is explained by reduced level of operation of the flow services entities, by timing in disbursements and closing of transactions which took place earlier than initially projected. These variances are compensated by an activity level in UEC that was higher than initially projected, generating higher disbursements.
<b>Note 7</b>	<b>Leases and Obligation under capital leases</b>	For the cumulative period, the favourable variance is the result of the early closing of transactions.
<b>Note 8</b>	<b>Professional fees</b>	On a cumulative basis, payments to professionals are \$0.4M higher than budgeted resulting in an unfavourable permanent variance. The amount of professional fees paid and accrued is superior to amounts initially projected as further detailed in the Actual Receipts and Disbursements section of the report.
<b>Note 9</b>	<b>KERP</b>	On a cumulative basis, the 2nd instalment of the KERP was paid as provided in the amended list of participants approved by the Order Extending the Stay of Proceedings and Granting Ancillary Relief.
<b>Note 10</b>	<b>Interest and fees on DIP Financing</b>	The favorable variance is mainly the results of the fees (\$75k) that are presented net of the DIP Financing - Collection, refer to section "DIP Financing - Collection" of the BTA.
<b>Note 11</b>	<b>EDC payments</b>	<p>Capital reimbursements have been paid by Management upon receipt of EDC's invoice. The negative variance is the result of an additional payment of \$42K that was not captured in the cashflow due to timing of invoicing (permanent variance).</p> <p>An interest payment of \$188K was made during the Period. Fees and Interests have also been paid by Management upon receipt of EDC's invoice.</p>
<b>Note 12</b>	<b>NBC payments</b>	The payments to NBC are in line with the Third Amendment to the Forbearance Agreement.

## APPENDIX I – PROFESSIONAL FEES

<b>Estimated Amounts Payable to Professionals</b>		
<i>As of March 13th, 2023</i>	<b>Estimated Amounts</b>	<b>Services rendered for</b>
<i>In \$000s CAD</i>	<b>Payable <sup>(1)</sup></b>	<b>the period ended</b>
<b>Xebec Counsels</b>		
Osler	428	4-Mar-23
Clifford Chance	115	7-Mar-23
McDonald Hopkins	-	28-Feb-23
Bielli & Klauder	-	4-Feb-23
	<b>543</b>	
<b>Monitor</b>		
Deloitte	358	4-Mar-23
McCarthy	164	4-Mar-23
Holland & Knight	20	2-Mar-23
	<b>542</b>	
<b>NBC <sup>(2)</sup></b>		
PWC	-	3-Feb-23
BLG	57	3-Mar-23
US Legal Counsel - Orrick	-	24-Jan-23
US Legal Counsel - Klehr Harrison	-	13-Dec-22
US Legal Counsel - Phillips Lytle	19	23-Sep-22
EUR Legal Counsel - Pinsent Masons	-	6-Feb-23
	<b>76</b>	
<b>EDC</b>		
Richter	10	3-Mar-23
Norton Rose	-	12-Feb-23
	<b>10</b>	
<b>SISP Manager</b>		
National Bank Financial	173	1-Mar-23
	<b>173</b>	
<b>Total</b>	<b>1,344</b>	

(1) - Estimated Amounts payable are based on invoices issued known to the Company and the Monitor, and are subject to change and could be higher than presented above. In addition, some invoices are in foreign currencies and have been converted with the most recent foreign exchange rate as per the Bank of Canada.

(2) - NBC's professional fees were paid from the Tiger transaction's sales proceeds that closed on January 27, 2023. The payments made with respect to legal and financial advisors incurred by NBC from funds received from Xebec Holding UK Limited are totaling \$256K and broken down as follows: BLG (\$109K), PWC (\$87K), Orrick (\$27K), Klehr Harrison (\$23K) and Pinsent Masons (\$10K). EDC has requested that these NBC's professional fees be paid through the Company's cashflow. The mechanism in connection hereto remains to be determined.

## Appendix J – Letters of credit Summary

<b>XEBEC ADSORPTION INC. &amp; AI.</b>					
Letters of credit					<b>Notes</b>
As of March 14, 2023					

OUTSTANDING LETTERS OF CREDIT					
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<u>Letter of Credit</u>	<u>No.</u>	<u>Applicants</u>	<u>Original Amount</u>	<u>Currency [1]</u>	<u>Converted Amount in \$CAD</u>	
Letter of Credit #1	OGUA58735	Xebec Adsorption Inc.	2,394,010	CAD	2,394,010	2
Letter of Credit #2	OGUA60344	Xebec Adsorption Inc.	200,000	CAD	200,000	
Letter of Credit #3	OGUA72991	Xebec Adsorption Inc.	30,275	USD	41,407	
<b>Total</b>					<b>2,635,417</b>	

LETTERS OF CREDIT POTENTIALLY COVERED BY TRANSACTIONS					
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<u>Letter of Credit</u>	<u>No.</u>	<u>Applicants</u>	<u>Original Amount</u>	<u>Currency [1]</u>	<u>Converted Amount in \$CAD</u>	
Letter of Credit #4	OSBY75253	UEC, LLC	565,120	USD	772,914	3
Letter of Credit #5	OSBY76121	HyGear	404,000	EUR	592,830	
<b>Total</b>					<b>1,365,744</b>	

LETTER OF CREDIT DRAWN					
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<u>Letter of Credit</u>	<u>No.</u>	<u>Applicants</u>	<u>Original Amount</u>	<u>Currency [1]</u>	<u>Converted Amount in \$CAD</u>
Letter of Credit Drawn #1	OGUA63070	Xebec Adsorption Inc.	360,000	USD	492,372

**Notes**

- 1 Assuming FX rate of 1.3677 USD and FX rate of 1.4674 EUR as per the Bank of Canada on March 14, 2023.
- 2 London RNG has issued a Payment Demand to NBC in respect to this Letter of Credit. On the same day, the Petitioners sent the Cease-and-Desist Letter, informing inter-alia that the Payment Demand was detrimental to the restructuring efforts of FormerXBC Inc. (BLA). Since then, discussions have occurred between counsel for the Petitioners, London RNG and the Monitor and a Draft Joint Order will be submitted to the Court for approval.
- 3 In accordance with the EnergyLink Asset Purchase Agreement, on the Closing Date, the buyer shall issue replacement of this Letter of Credit #4 and shall use its best efforts to cause the letter of credit to be released and returned to UEC without any further drawings thereunder, as soon as reasonably practicable but in no event later than ten (10) days after the Closing Date.

## Appendix K - Cash-flow statement

Weekly cash flow transactions	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
For the week ending	11/Mar/23	18/Mar/23	25/Mar/23	1/Apr/23	8/Apr/23	15/Apr/23	22/Apr/23	29/Apr/23	6/May/23	
In 000 CAD - Week #	1	2	3	4	5	6	7	8	9	
<b>Collections</b>										
Sales from operation	75	75	75	75	-	-	-	-	-	300
Opening accounts receivable collection	563	563	563	563	71	71	71	71	71	2,607
Sales taxes - Collection	-	893	-	-	-	167	-	-	150	1,210
Second DIP Financing - Collection	-	1,250	-	-	-	-	-	-	-	1,250
Amounts from Proceeds or Third DIP Financing - Collection	-	-	-	1,500	1,350	-	-	-	-	2,850
Other collections	-	34	34	34	17	-	-	-	-	119
Transfer from related party - Collection	-	148	-	-	-	-	-	-	-	148
<b>Collections - Total</b>	<b>638</b>	<b>2,963</b>	<b>672</b>	<b>2,172</b>	<b>1,438</b>	<b>238</b>	<b>71</b>	<b>71</b>	<b>221</b>	<b>8,484</b>
<b>Disbursements</b>										
<b>From the operations</b>										
Payroll	163	695	158	492	291	135	16	135	16	2,101
Post-filing vacation payable	38	29	-	314	-	-	-	-	83	464
Trade payable	1,025	1,141	837	665	481	279	95	55	55	4,633
Professional fees	10	1,521	1,215	536	303	402	219	219	219	4,644
Obligation under capital leases	-	-	-	175	-	-	-	-	30	205
Transfer to related party - Disbursements	-	148	-	-	-	-	-	-	-	148
Interest and fees on DIP Financing	-	-	39	-	4	-	-	-	22	65
Sales taxes - Payment	-	36	-	10	-	-	-	-	-	46
EDC - Capital reimbursements	-	-	-	-	-	-	-	-	-	-
EDC - fees and interests payments	-	165	-	-	-	-	-	-	-	165
NBC - Capital reimbursements	-	-	-	-	-	-	-	-	-	-
NBF - Transaction fee payments (sales tax)	-	-	146	-	-	-	-	-	-	146
	<b>1,236</b>	<b>3,735</b>	<b>2,395</b>	<b>2,192</b>	<b>1,079</b>	<b>816</b>	<b>330</b>	<b>409</b>	<b>425</b>	<b>12,617</b>
<b>From the proceeds (1)</b>										
DIP Financing - Reimbursement	-	-	5,500	-	-	-	-	-	2,850	8,350
KERP	-	-	118	-	371	-	-	-	-	489
NBF - Transaction fee payments	-	-	975	-	-	-	-	-	-	975
<b>Disbursements - Total</b>	<b>1,236</b>	<b>3,735</b>	<b>8,988</b>	<b>2,192</b>	<b>1,450</b>	<b>816</b>	<b>330</b>	<b>409</b>	<b>3,275</b>	<b>22,431</b>
<b>Net cash flow - Total</b>	<b>(598)</b>	<b>(772)</b>	<b>(8,316)</b>	<b>(20)</b>	<b>(12)</b>	<b>(578)</b>	<b>(259)</b>	<b>(338)</b>	<b>(3,054)</b>	<b>(13,947)</b>
<b>Operational Cash</b>										
<b>Net cash from the operations - Beginning</b>	<b>4,139</b>	<b>3,541</b>	<b>2,769</b>	<b>1,046</b>	<b>1,026</b>	<b>1,385</b>	<b>807</b>	<b>548</b>	<b>210</b>	<b>4,139</b>
Net cash flow - from the operations	(598)	(772)	(1,723)	(20)	359	(578)	(259)	(338)	(204)	(4,133)
<b>Net cash from the operations - End</b>	<b>3,541</b>	<b>2,769</b>	<b>1,046</b>	<b>1,026</b>	<b>1,385</b>	<b>807</b>	<b>548</b>	<b>210</b>	<b>6</b>	<b>6</b>
<b>Cash from the Proceeds</b>										
<b>Net Cash from Proceeds - Beginning</b>	<b>19,327</b>	<b>19,327</b>	<b>19,327</b>	<b>12,734</b>	<b>21,308</b>	<b>20,937</b>	<b>20,937</b>	<b>20,937</b>	<b>20,937</b>	<b>19,327</b>
Proceeds from transactions	-	-	-	8,574	-	-	-	-	-	8,574
Disbursements from the proceeds	-	-	(6,593)	-	(371)	-	-	-	(2,850)	(9,814)
<b>Net Cash from Proceeds - End</b>	<b>19,327</b>	<b>19,327</b>	<b>12,734</b>	<b>21,308</b>	<b>20,937</b>	<b>20,937</b>	<b>20,937</b>	<b>20,937</b>	<b>18,087</b>	<b>18,087</b>
DIP Financing - NBC (First DIP)	1,500	1,500	-	-	-	-	-	-	-	-
DIP Financing - EDC (First DIP)	1,500	1,500	-	-	-	-	-	-	-	-
DIP Financing - EDC (Second DIP)	1,250	2,500	-	-	-	-	-	-	-	-
DIP Financing - EDC (Third DIP)	-	-	-	1,500	2,850	2,850	2,850	2,850	-	-

Note 1: DIP Financing reimbursements, Transaction fee, KERP and other amounts if noted.

## Appendix L

### Notes to the Cash-flow statement

#### NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Petitioners during the CCAA proceedings.

#### NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

#### NOTE C - DEFINITIONS

##### (1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

##### (2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

##### (3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

##### (4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industries/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.



**Appendix L (cont'd)**

**Notes to the Cash-flow statement**

**NOTE D—ASSUMPTIONS**

<b>Assumptions</b>	<b>Source</b>	<b>Probable Assumption</b>	<b>Hypothetical Assumption</b>
<b>Opening cash balance</b>	Based on current bank balances.	X	
<b>Forecast cash receipts:</b>			
Sales from operation	Based on the latest forecasts available prepared by Management.	X	
Opening accounts receivable	Mostly based on the accounts receivable as of March 6, 2023, and Petitioners' historical collection days data.	X	
Sales taxes - Collection	Based on the latest declarations prepared by Management and the latest communications from the tax authorities.	X	
Second DIP Financing collections	Second tranche of the Second DIP Financing in accordance with the Supplemental DIP Term Sheet (Second DIP) made available by the secured lenders as approved by the Court in the Third Amended and Restated Initial Order rendered on February 13, 2023.	X	
Amounts from proceeds or Third DIP Financing collections	Third DIP Facility subject to ongoing negotiations with EDC and subject to approval by the Court.  If a Third DIP Facility is not made available, the use of proceeds from the completed transactions will be required.	X	
Other collections	Based on the latest forecasts available prepared by Management.	X	
<b>Forecast cash disbursements:</b>			
Payroll	Based on Petitioners' historical payroll reports and on budgeted number of employees.	X	
Post-filing vacation payable	Based on the latest calculations provided by Management.	X	
Trade payable	Based on the latest forecasts available prepared by Management.	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for the Monitor, financial advisors and legal services.		X

	The forecasted professional fees include NBC's professional fees that were paid from the Tiger transaction's sales proceeds that closed on January 27, 2023. EDC has requested that these NBC's professional fees be paid through the Company's cashflow. The mechanism in connection hereto remains to be determined.		
Obligation under capital leases	Based on lease agreements.	X	
Transfer to related party	Management estimate of funds to be transferred to Petitioners.		X
Sales taxes - Payment	Based on the latest forecasts available prepared by Management.	X	
Debt reimbursement and interest	Secured lenders interest payments and capital repayments as per the credit agreements.	X	

## Appendix M

### Names and definitions of the entities of Xebec

Legal names	Naming convention
Xebec Adsorption Inc.	BLA
Compressed Air International Inc.	CAI
Applied Compression Systems Limited	ACS
Xebec RNG Holdings Inc.	GNR
GNR Bromont Management Inc. / Gestion GNR Bromont Inc.	GNR1
GNR Bromont S.E.C. / GNR Bromont L.P.	GNR2
GNR Québec Capital Management Inc. / Gestion GNR Québec Capital Inc.	GNR3
GNR Québec Capital S.E.C. / GNR Québec Capital L.P.	GNR4
Xebec Holding USA Inc.	XHU
Xebec Adsorption USA Inc.	XSU
CDA Systems, LLC	CDA
Enerphase Industrial Solutions Inc. (doing business as Air Flow)	AIR
The Titus Company	TIT
Nortekbelair Corporation	NOR
XBC Flow Services - Wisconsin Inc.	XBC
California Compression LLC	CAL
Xebec Systems USA LLC (previously known as UEC, LLC)	UEC
Xebec Europe B.V.	EUR
Xebec Deutschland GmbH	DEU
Inmatec Gas Technology FZC-LLC	IGT
Xebec Adsorption Asia PTE LTD	ASIA
Green Vision Holding B.V.	GVH
HyGear Technology and Services B.V.	HYT
HyGear Operations B.V.	HYO
HyGear B.V.	HYB
HyGear Fuel Cell Systems B.V.	HYF
HyGear Hydrogen Plant B.V.	HYH
Buse HyGear Limited	BHY
Xebec Italy S.r.l. (previously known as Xebec Adsorption Europe S.r.l.)	ITA
Xebec Holding UK Limited	XUK
Tiger Filtration Limited	TIGER
Xebec Adsorption (Shanghai) Co. Ltd.	SHG